

City of Albany

California

For the Fiscal Year June 30, 2019



Annual Financial Report

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**CITY OF ALBANY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION

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Chavan and Associates, llp

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Albany (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129

Tel: 408-217-8749 • E-Fax: 408-872-4159

info@cnallp.com • www.cnallp.com



Chavan and Associates, llp

Certified Public Accountants

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Albany, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Prior Period Adjustments

There were numerous prior period adjustments presented in the June 30, 2019 financial statements and supplementary information which were required to correct beginning balances. Beginning net position in the government-wide statement of activities was increased by \$10,631,453 and beginning fund balance in the funds statement of revenues, expenditures and changes in fund balances was decreased by \$2,100,339. The prior financial statements were audited by another firm that issued a disclaimer of opinion dated January 28, 2019. Note 12 summarizes the prior period adjustments and details the corrections made. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's 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. Our opinion on the basic financial statements is not affected by this missing 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

1475 Saratoga Ave, Suite 180, San Jose, CA 95129

Tel: 408-217-8749 • E-Fax: 408-872-4159

info@cnallp.com • www.cnallp.com



basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining individual non-major fund schedules, as listed in the supplementary information section of table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 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.

C & A LLP

March 30, 2020
San Jose, California

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BASIC FINANCIAL STATEMENTS

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City of Albany
Statement of Net Position
June 30, 2019

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 29,617,789	\$ 10,229,268	\$ 39,847,057
Restricted cash and investments	360,741	-	360,741
Accounts and taxes receivable	288,026	-	288,026
Due from other governments	406,658	-	406,658
Prepaid items	12,820	-	12,820
Total Current Assets	30,686,034	10,229,268	40,915,302
Noncurrent Assets:			
Capital Assets:			
Nondepreciable	11,664,254	4,950,474	16,614,728
Depreciable, net of accumulated depreciation	42,669,447	19,120,948	61,790,395
Total Capital Assets - Net	54,333,701	24,071,422	78,405,123
Total Assets	\$ 85,019,735	\$ 34,300,690	\$ 119,320,425
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Adjustments	\$ 55,515	\$ -	\$ 55,515
Pension Adjustments	9,490,813	-	9,490,813
Deferred Loss on Refunding	431,139	-	431,139
Total Deferred Outflows of Resources	\$ 9,977,467	\$ -	\$ 9,977,467
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 4,193,191	\$ 1,935,311	\$ 6,128,502
Payroll related liabilities	891,355	15,863	907,218
Deposits and other liabilities	7,572	-	7,572
Interest payable	220,000	-	220,000
Unearned revenues	251,281	-	251,281
Claims payable	348,000	-	348,000
Compensated absences	378,696	-	378,696
Long-term debt - due within one year	993,942	609,434	1,603,376
Total Current Liabilities	7,284,037	2,560,608	9,844,645
Noncurrent Liabilities:			
Claims payable	928,000	-	928,000
Compensated absences	1,136,087	-	1,136,087
Net pension liability	35,842,452	-	35,842,452
Net OPEB liability	3,771,010	-	3,771,010
Long-term debt - due in more than one year	18,552,158	4,485,249	23,037,407
Total Noncurrent Liabilities	60,229,707	4,485,249	64,714,956
Total Liabilities	\$ 67,513,744	\$ 7,045,857	\$ 74,559,601
DEFERRED INFLOWS OF RESOURCES			
Pension Adjustments	\$ 3,194,847	\$ -	\$ 3,194,847
Total Deferred Inflows of Resources	\$ 3,194,847	\$ -	\$ 3,194,847
NET POSITION			
Net investment in capital assets	\$ 35,218,740	\$ 18,976,739	\$ 54,195,479
Restricted for:			
Police and Fire pension and retirement benefits	1,500,436	-	1,500,436
Law enforcement and training	722,273	-	722,273
Transportation projects	8,691,767	-	8,691,767
Recreation playfields, open space and creek restoration	2,867,798	-	2,867,798
Lighting and landscape projects	93,621	-	93,621
Sidewalks	407,485	-	407,485
Library	327,763	-	327,763
Collision response and Extrication	12	-	12
Prevention of nonpoint source pollution	941,265	-	941,265
Waste reduction and management	119,717	-	119,717
Transition improvement plan	3,398	-	3,398
Public art promotion	142,352	-	142,352
Community capital improvements	201,898	-	201,898
Debt service	360,741	-	360,741
Total Restricted	16,380,526	-	16,380,526
Unrestricted	(27,310,655)	8,278,094	(19,032,561)
Total Net Position	\$ 24,288,611	\$ 27,254,833	\$ 51,543,444

The accompanying notes are an integral part of these financial statements.

City of Albany
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Total	Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government:								
Governmental Activities:								
General Government	\$ 7,692,743	\$ 160,860	\$ 48,101	\$ -	\$ 208,961	\$ (7,483,782)		\$ (7,483,782)
Police	7,789,295	205,742	179,288	-	385,030	(7,404,265)		(7,404,265)
Fire and emergency medical services	6,712,349	1,173,381	186,082	-	1,359,463	(5,352,886)		(5,352,886)
Community development and environmental services	4,488,561	876,622	62,891	4,419,328	5,358,841	870,280		870,280
Recreation and community services	3,962,909	1,104,760	183,898	27,673	1,316,331	(2,646,578)		(2,646,578)
Interest and fiscal charges	538,284	-	-	-	-	(538,284)		(538,284)
Total Governmental Activities	\$31,184,141	\$ 3,521,365	\$ 660,260	\$ 4,447,001	\$ 8,628,626	(22,555,515)		(22,555,515)
Business-Type Activities:								
Sewer	\$ 1,436,170	\$ 3,784,666	\$ -	\$ -	\$ 3,784,666		\$ 2,348,496	2,348,496
Total Business-Type Activities	\$ 1,436,170	\$ 3,784,666	\$ -	\$ -	\$ 3,784,666		2,348,496	2,348,496
General Revenues:								
Taxes:								
Property taxes						13,849,733	-	13,849,733
Sales and use taxes						4,501,322	-	4,501,322
Franchise and other taxes						4,874,354	-	4,874,354
Total taxes						23,225,409	-	23,225,409
Investment earnings						580,887	-	580,887
Other revenues						150,881	-	150,881
Total General Revenues						23,957,177	-	23,957,177
Change in Net Position						1,401,662	2,348,496	3,750,158
Net Position - Beginning of Year						16,046,054	21,115,779	37,161,833
Prior Period Adjustments						6,840,895	3,790,558	10,631,453
Net Position - Beginning of Year, As Adjusted						22,886,949	24,906,337	47,793,286
Net Position - End of Year						\$ 24,288,611	\$ 27,254,833	\$ 51,543,444

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The *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.

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

Non-Major Governmental Funds aggregate all the non-major governmental funds.

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City of Albany
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds			Total Governmental Funds
	General Fund	Street & Storm Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and investments	\$ 6,465,667	\$ 4,624,134	\$ 14,747,692	\$ 25,837,493
Debt service reserves held with trustee	-	-	360,741	360,741
Accounts and taxes receivable	288,026	-	-	288,026
Due from other governments	-	-	406,658	406,658
Due from other funds	187,241	-	-	187,241
Prepaid items	12,820	-	-	12,820
Total assets	\$ 6,953,754	\$ 4,624,134	\$ 15,515,091	\$ 27,092,979
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,642,069	\$ 539,691	\$ 1,011,431	\$ 4,193,191
Payroll related liabilities	797,985	10,191	83,179	891,355
Deposits and other liabilities	6,558	-	1,014	7,572
Due to other funds	-	-	187,241	187,241
Unearned revenues	251,281	-	-	251,281
Total liabilities	3,697,893	549,882	1,282,865	5,530,640
Fund Balances:				
Nonspendable				
Prepaid items	12,820	-	-	12,820
Restricted:				
Police and Fire pension and retirement benefits	-	-	1,500,436	1,500,436
Law enforcement and training	-	-	722,273	722,273
Transportation projects	-	4,074,252	4,617,515	8,691,767
Recreation playfields, open space and creek restoration	-	-	2,867,798	2,867,798
Lighting and landscape projects	-	-	93,621	93,621
Sidewalks	-	-	407,485	407,485
Library	-	-	327,763	327,763
Collision response and Extrication	-	-	12	12
Prevention of nonpoint source pollution	-	-	941,265	941,265
Waste reduction and management	-	-	119,717	119,717
Transition improvement plan	-	-	3,398	3,398
Public art promotion	-	-	142,352	142,352
Community capital improvements	-	-	201,898	201,898
Debt service	-	-	360,741	360,741
Assigned:				
Community Center maintenance and equipment	-	-	824,439	824,439
Economic development and land use	-	-	173,062	173,062
Police vehicles and equipment	-	-	442,342	442,342
Fire engines and equipment	-	-	279,940	279,940
Emergency medical services equipment	-	-	192,025	192,025
Fire operations equipment	-	-	88,555	88,555
General equipment replacement	-	-	365,782	365,782
Public works and park equipment	-	-	61,443	61,443
Payroll liabilities	1,572,586	-	-	1,572,586
Unassigned	1,670,455	-	(501,636)	1,168,819
Total fund balances	3,255,861	4,074,252	14,232,226	21,562,339
Total liabilities and fund balances	\$ 6,953,754	\$ 4,624,134	\$ 15,515,091	\$ 27,092,979

The accompanying notes are an integral part of these financial statements.

City of Albany
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds \$ 21,562,339

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. The capital assets were adjusted as follows:

Capital assets	81,911,855
Less: accumulated depreciation	<u>(27,578,154)</u>
Total Capital Assets	<u>54,333,701</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (220,000)

Internal service funds are used by management to charge the costs of stores, vehicle maintenance and various insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 989,513

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. 6,351,481

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. 431,139

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(19,546,100)
Net pension liability	(35,842,452)
Net OPEB liability	<u>(3,771,010)</u>
Total Long-Term Obligations	<u>(59,159,562)</u>

Net Position of Governmental Activities \$ 24,288,611

The accompanying notes are an integral part of these financial statements.

City of Albany
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds			
	General Fund	Street & Storm Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 7,740,253	\$ 1,134,980	\$ 4,974,500	\$ 13,849,733
Sales and use taxes	4,501,322	-	-	4,501,322
Franchise and other taxes	4,874,354	-	-	4,874,354
License and permits	518,638	-	-	518,638
Fines and forfeitures	203,854	-	-	203,854
Investment earnings	483,175	-	56,039	539,214
Intergovernmental revenues	489,613	-	3,617,776	4,107,389
Charges for services	1,280,477	-	1,325,484	2,605,961
Rents and concessions	138,787	-	6,000	144,787
Other revenues	250,532	-	947,346	1,197,878
Total Revenues	20,481,005	1,134,980	10,927,145	32,543,130
EXPENDITURES				
Current:				
General Government	6,127,672	24,013	61,830	6,213,515
Police	6,232,741	-	66,841	6,299,582
Fire and emergency medical services	2,901,621	-	2,429,488	5,331,109
Community development and environmental services	2,314,073	267,393	1,403,255	3,984,721
Recreation and community services	2,227,819	-	944,632	3,172,451
Capital outlay	84,235	498,359	1,840,669	2,423,263
Debt service				
Principal	83,587	-	911,791	995,378
Interest and fiscal charges	79,529	-	601,789	681,318
Total Expenditures	20,051,277	789,765	8,260,295	29,101,337
Excess (Deficiency) of Revenues over Expenditures	429,728	345,215	2,666,850	3,441,793
OTHER FINANCING SOURCES (USES)				
Transfers in	1,148,478	-	1,345,288	2,493,766
Transfers out	(673,802)	(391,834)	(1,428,130)	(2,493,766)
Total Other Financing Sources (Uses)	474,676	(391,834)	(82,842)	-
Net Change in Fund Balances	904,404	(46,619)	2,584,008	3,441,793
Fund Balances Beginning	8,846,242	3,992,077	7,382,566	20,220,885
Prior Period Adjustments - Cash Allocations	(6,494,785)	128,794	4,265,652	(2,100,339)
Fund Balances Beginning, as Adjusted	2,351,457	4,120,871	11,648,218	18,120,546
Fund Balances Ending	\$ 3,255,861	\$ 4,074,252	\$ 14,232,226	\$ 21,562,339

The accompanying notes are an integral part of these 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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 3,441,793
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	2,888,111
Depreciation expense	(2,273,203)
Internal service funds are used by management to charge the costs of stores, vehicle maintenance, and various insurance costs to individual funds. The net revenue or (excess expenses) of the internal service funds is reported with government activities.	
	(629,121)
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.	
	(23,952)
In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	(2,889,596)
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
	995,378
Premiums from the issuance of long-term debt are amortized over the life of the bonds in the Statement of Activities and reported as proceeds when issued in governmental funds.	
	56,226
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Other postemployment benefits	(274,734)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from and accreted interest from prior year.	
	<u>110,760</u>
Change in Net Position of Governmental Activities	<u>\$ 1,401,662</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

The *Internal Service Funds* account for resources utilized to pay compensated absences, workers' compensation and general liability obligations and claims.

City of Albany
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
	Sewer Fund	
ASSETS		
Current assets:		
Cash and investments	\$ 10,229,268	\$ 3,780,296
Total current assets	<u>10,229,268</u>	<u>3,780,296</u>
Noncurrent assets:		
Capital assets - nondepreciable	4,950,474	-
Capital assets - depreciable	19,120,948	-
Total capital assets - net	<u>24,071,422</u>	<u>-</u>
Total assets	<u><u>\$ 34,300,690</u></u>	<u><u>\$ 3,780,296</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,935,311	\$ -
Payroll and related liabilities	15,863	-
Claims payable	-	348,000
Compensated absences	-	378,696
Long-term debt - due within one year	609,434	-
Total current liabilities	<u>2,560,608</u>	<u>726,696</u>
Noncurrent liabilities:		
Claims payable	-	928,000
Compensated absences	-	1,136,087
Long-term debt - due in more than one year	4,485,249	-
Total noncurrent liabilities	<u>4,485,249</u>	<u>2,064,087</u>
Total liabilities	<u><u>\$ 7,045,857</u></u>	<u><u>\$ 2,790,783</u></u>
NET POSITION		
Net Investment in capital assets	\$ 18,976,739	\$ -
Unrestricted	8,278,094	989,513
Total net position	<u><u>\$ 27,254,833</u></u>	<u><u>\$ 989,513</u></u>

The accompanying notes are an integral part of these financial statements.

City of Albany
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
	Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 3,784,666	\$ -
Other	-	1,000
Total operating revenues	<u>3,784,666</u>	<u>1,000</u>
OPERATING EXPENSES		
Insurance claims	-	454,874
Personnel services	452,312	216,920
Supplies, materials and other	211,080	-
Major repairs	6,905	-
Depreciation	539,267	-
Total operating expenses	<u>1,209,564</u>	<u>671,794</u>
Operating income (loss)	<u>2,575,102</u>	<u>(670,794)</u>
NONOPERATING REVENUES(EXPENSES)		
Investment earnings	-	41,673
Interest expense	(226,606)	-
Total nonoperating revenues(expenses)	<u>(226,606)</u>	<u>41,673</u>
Change in net position	<u>2,348,496</u>	<u>(629,121)</u>
Total net position - beginning	21,115,779	1,354,704
Prior period adjustments	3,790,558	263,930
Total net position - beginning , as adjusted	<u>24,906,337</u>	<u>1,618,634</u>
Total net position - ending	<u>\$ 27,254,833</u>	<u>\$ 989,513</u>

The accompanying notes are an integral part of these financial statements.

City of Albany
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Funds
	Sewer Fund	
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,828,508	\$ -
Receipts from insurance refunds	-	1,000
Payments for insurance claims	-	(226,572)
Payments to suppliers	(293,147)	-
Payments to employees	(481,419)	-
Net cash provided (used) by operating activities	<u>3,053,942</u>	<u>(225,572)</u>
Cash flows from capital financing activities:		
Purchases (sales) of property, plant and equipment - net	(3,096,978)	-
Principal payments on long-term debt	1,489,683	-
Interest paid on long-term debt	(154,172)	-
Net cash provided (used) by capital financing activities	<u>(1,761,467)</u>	<u>-</u>
Cash flows from investing activities:		
Investment income received	-	41,673
Net cash provided (used) by investing activities	<u>-</u>	<u>41,673</u>
Net increase (decrease) in cash and cash equivalents	1,292,475	(183,899)
Cash and cash equivalents - beginning	9,251,633	3,700,265
Adjustments to beginning cash	(314,840)	263,930
Cash and cash equivalents - ending	<u>\$ 10,229,268</u>	<u>\$ 3,780,296</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 2,575,102	\$ (670,794)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	539,267	-
Change in operating assets and liabilities:		
Accounts receivables	43,842	-
Accounts payable	(75,162)	-
Payroll related liabilities	(29,107)	-
Claims payable	-	228,302
Compensated absences	-	216,920
Net cash provided (used) by operating activities	<u>\$ 3,053,942</u>	<u>\$ (225,572)</u>

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

The *Police and Fire Pension Trust Fund* accounts for contributions and resources invested in the City's Police and Fire Relief or Pension Trust Fund.

Agency Funds

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

City of Albany
Statement of Net Position
Fiduciary Funds
June 30, 2019

	Pension Trust Fund (Police and Fire Pension)	Agency Funds
ASSETS		
Cash deposits with financial institutions	\$ 18,427	\$ 906,480
Debt service reserves held with trustee	-	493,565
Investments at fair value:		
Local Agency Investment Fund	448,771	-
Mutual funds	4,476,599	-
Total assets	<u>\$ 4,943,797</u>	<u>\$ 1,400,045</u>
LIABILITIES		
Accounts payable	\$ 56,887	\$ -
Deposits payable	-	400,015
Due to bondholders	-	1,000,030
Total liabilities	<u>\$ 56,887</u>	<u>\$ 1,400,045</u>
NET POSITION		
Restricted for pensions	<u>\$ 4,886,910</u>	

The accompanying notes are an integral part of these financial statements.

City of Albany
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Pension Trust Fund (Police and Fire Pension)
ADDITIONS	
Employer contributions	\$ 218,723
Net appreciation (depreciation) in fair value of investments	(113,547)
Interest and dividends	356,147
Other additions	284
Total additions	<u>461,607</u>
DEDUCTIONS	
Pension benefits paid	1,257,130
Administration	42,623
Total deductions	<u>1,299,753</u>
Change in net position	<u>(838,146)</u>
Total net position - beginning	5,383,567
Prior period adjustment - benefit accruals	341,489
Total net position - beginning, as adjusted	<u>5,725,056</u>
Total net position - ending	<u>\$ 4,886,910</u>

The accompanying notes are an integral part of these financial statements.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

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 19,908.

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 109 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Albany, California, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City Council acts as the governing board. In addition, the City staff performs all administrative and accounting functions for these entities and these entities provide their services entirely to the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end.

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 City has established a separate legal trust, the *City of Albany Police and Fire Relief or Pension Fund* (Trust), for its closed police and fire pension benefits, which were available for certain eligible employees. This is a Private Purpose Trust Fund reported as a fiduciary fund financial statement. 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. 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 applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental and business-type activities for the City. Internal Service Funds activities are excluded to avoid "doubling up" revenues and expenses. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (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 changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities. Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds, proprietary funds (which includes the internal service funds), and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

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. The City has presented all major funds that met the applicable criteria.

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, deferred outflows of resources, current liabilities, and deferred inflows of resources 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 (up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred. 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.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

The following funds are major funds:

General Fund

The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

Street & Storm Capital Projects 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 the Basic Financial Statements
June 30, 2019

Additionally, the City reports the following nonmajor fund types of governmental funds:

Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

Capital Project Funds

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets in governmental funds.

Debt Service Funds

Debt service funds account for the accumulation of resources for, and payment on, long-term obligation debt principal and interest.

Proprietary Funds

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.

In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. Proprietary funds are presented using the “economic resources measurement focus”. This means all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

The City has the following enterprise funds that have been reported as major:

Sewer Fund

The Sewer 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 are proprietary funds. Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis, in the following areas: workers compensation insurance, general liability insurance and compensated absences.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

The City has the following internal service funds:

Insurance Reserve Fund

The Insurance Reserve Fund includes Workers' Compensation funds used to cover known and unknown claims that may occur relating to worker injuries and General Liability funds used to cover future general liability claims against the City.

Compensated Absences Fund

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.

Fiduciary Funds

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 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. Agency funds, which are custodial in nature (assets equal liabilities), do not involve measurement of results of operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has the following fiduciary funds:

Police and Fire Pension Trust Fund

The Police and Fire Pension Trust Fund accounts for the activities of the Police and Fire Relief or Pension Fund Trust.

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.

B. Cash, Cash Equivalents and Investments

The City pools its available cash for operating purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments except for debt service reserves with trustees which are restricted and presented separately.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk.

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures. The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

C. Interfund Receivables and Payables

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation.

D. Sewer Revenue and Receivables

Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. 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. Material revenues earned but not collected by year-end are accrued. No allowance for uncollectible accounts receivable has been provided as management has determined that uncollectible accounts have historically been immaterial and the direct write-off method does not result in a material difference from the allowance method.

E. 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.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

F. Capital Assets

Capital outlays are recorded as expenditures in the general, special revenue, and capital projects funds and as assets in the government-wide and proprietary fund financial statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements and in the proprietary fund financial statements. All assets, including land, buildings, machinery and equipment, with an original cost in excess of \$5,000 and a useful life of one year or more will be subject to capitalization. Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

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

G. Deferred Outflows/Deferred Inflows

Deferred outflows of resources are a consumption of net assets by the City that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period; for example, unavailable resources and advance collections.

H. Interest Payable

In the government-wide and proprietary fund financial statements, interest payable from long-term debt is recognized as an incurred liability and expense. The City has not allocated the interest on long-term debt to departments. In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the governmental fund statements when payment is made.

I. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for general liability and workers' compensation claims. The estimated liability for these claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

J. 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 distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

K. Compensated Absences

Compensated absences include unpaid vacation and the vested portion of sick leave, which are accrued as earned. The City's liability for compensated absences is recorded in an internal service fund and is determined annually. The City's 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. See Note 6 for a summary of changes in compensated absences and the current portions due within the next year.

Compensated absences and the net OPEB obligation are generally liquidated by charges to applicable departments within City Funds from the Compensated Absences Internal Service Fund. These charges are reported as operating revenue in the internal service fund and eliminated in the government-wide statements.

L. Long-Term Liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Benefit Plans

Pension Expense

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) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

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.

Other Postemployment Benefit (OPEB) Expense

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 Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

N. Fund Balances

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council.

Assigned

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered 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

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes but is not yet directed to be used for a specific purpose. The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

Flow Assumption / Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

O. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

Restricted Net Position

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

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Net Position

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

Interfund Transactions

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers.

P. Property Taxes and Special Assessments

County tax assessments include secured and unsecured property taxes and special assessments. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Alameda County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively.

Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as

City of Albany
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available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on July 1 and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

Q. Budgetary Information

The following procedures are followed when establishing the City's annual budget:

- 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.
- Public hearings and work sessions are conducted to obtain comments from interested individuals and organizations.
- The budget is formalized and legally enacted through City Council adoption.
- 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.
- 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.
- 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.
- 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 through June 30, 2019.

R. Encumbrances

Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. All appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

S. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable resources.

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Notes to the Basic Financial Statements
June 30, 2019

T. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Implemented New GASB Pronouncements

Statement No. 83, Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the City's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have a significant impact on the City's financial statements.

V. Upcoming New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The City is in the process of determining the impact this Statement will have on the financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an

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intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The City is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The City is in the process of determining the impact this Statement will have on the financial statements.

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Notes to the Basic Financial Statements
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NOTE 3 - CASH AND INVESTMENTS

As of June 30, 2019, cash and investments were reported in the financial statements as follows:

	Government Wide		Fiduciary Funds	Total	
	Statement of Net Position				Statement of Net
	Governmental	Business-Type			
	Activities	Activities			
Operating cash and investments	29,617,789	10,229,268	5,850,277	45,697,334	
Debt service reserves held with fiscal agent	360,741	-	493,565	854,306	
Total cash and investments	<u>\$ 29,978,530</u>	<u>\$ 10,229,268</u>	<u>\$ 6,343,842</u>	<u>\$ 46,551,640</u>	

The following summarizes the City's cash and investments by type as of June 30, 2019:

Deposits:	
Cash on hand	\$ 2,570
Deposits with financial institutions	6,244,245
Total Deposits	<u>6,246,815</u>
Investments:	
Local Agency Investment Fund	32,537,041
CalTrust investment pool	2,436,879
Mutual and money market funds	4,476,599
Total investments	<u>39,450,519</u>
Total City Treasury	45,697,334
Debt service reserves held with fiscal agent	854,306
Total cash and investments	<u>\$ 46,551,640</u>

A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$6,076,846 at June 30, 2019 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$5,826,846 which was collateralized by securities held by pledging financial institutions.

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Notes to the Basic Financial Statements
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B. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

C. 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	n/a	n/a	n/a
Investment Trust of California (CalTrust)	n/a	25%	n/a
Netogiable Certificates of Deposit	One Year	15%	n/a

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.

D. External Investment Pool

The City and The *Albany Police and Fire Relief Pension Trust Fund (the Fund)* are voluntary participants 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 and the Fund relied upon information provided by the State Treasurer in estimating the City’s fair value position of its holding in LAIF as presented Section D, Risk Disclosures. 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 and the Fund’s investments with LAIF at June 30, 2019, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

City of Albany
Notes to the Basic Financial Statements
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These investments include the following:

Structured Notes

These 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 asset-backed securities 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 CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk is by purchasing a combination of shorter 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 City's 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. The Fund monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as S&P 500. The City's investments were not assigned ratings by a nationally recognized credit rating organization. The City's and 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

Concentrations of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2019, the City and the Fund had no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the 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. For an investment, custodial credit risk is the risk

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that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside 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 custodial credit risk disclosures noted in Section A, “Cash Deposits” of this disclosure. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2019, the City’s investments had the following maturities and ratings:

Investment Type	12 Months or Less	Fair Value	Fair Value Input Levels
Local Agency Investment Funds	\$ 32,088,270	\$ 32,088,270	n/a
CalTrust investment pool	2,436,879	2,436,879	n/a
Subtotal	34,525,149	34,525,149	
Police and Fire Pension Trust Fund:			
Local Agency Investment Funds	448,771	448,771	n/a
Mutual and money market funds	4,476,599	4,476,599	Level 1
Total Police and Fire Pension Trus Fund	4,925,370	4,925,370	
Total Investments	\$ 39,450,519	\$ 39,450,519	

E. Albany Police and Fire Relief Pension Trust Fund (the Fund)

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.

Investment Policy

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 as follows:

Authorized Investment Type	Target Allocation	Minimum Percentage of Portfolio	Maximum Percentage of Portfolio
Large Cap Equity	37%	25%	55%
International Equity	9%	5%	15%
Fixed Income	40%	40%	60%
Alternatives	9%	n/a	10%
Cash	5%	n/a	10%

City of Albany
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As of June 30, 2019, the Fund’s allocations reflected the general guidelines set by the Fund’s policy as described above.

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 depreciation in fair value of investments for the year ended June 30, 2019 was \$113,547.

NOTE 4 - INTERFUND TRANSACTIONS

A. Inter-fund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. As of June 30, 2019, inter-fund receivables and payables consisted of the following:

<u>Due to</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 187,241

Transfers In/Out

With Council approval resources may be transferred from one fund to another. Transfers may be made to pay for capital projects or capital outlays, lease or debt service payments, and operating expenses.

The following summarizes transfers between funds during the fiscal year ended June 30, 2019:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Nonmajor Governmental Funds	673,802
Street & Storm Fund	Nonmajor Governmental Funds	391,834
Nonmajor Governmental Funds	General Fund	325,271
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,102,859
		<u>\$2,493,766</u>

City of Albany
Notes to the Basic Financial Statements
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NOTE 5 - CAPITAL ASSETS

Capital assets related to governmental activities consisted of the following as of June 30, 2019:

Governmental Activities	Balance July 1, 2018	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2019
Non-depreciable:					
Land	\$ 9,443,728	\$ -	\$ -	\$ -	\$ 9,443,728
Construction in Progress	818,903	14,265	-	1,387,358	2,220,526
Total Non-Depreciable	10,262,631	14,265	-	1,387,358	11,664,254
Depreciable:					
Buildings	21,230,005	-	-	4,640,049	25,870,054
Improvements other than building	8,657,334	2,303,228	-	-	10,960,562
Furniture Fixtures	772,879	124,422	-	(124,421)	772,880
Machinery and Equipment	2,365,327	126,695	-	-	2,492,022
Vehicles	3,513,728	319,501	-	(234,935)	3,598,294
Infrastructure	21,878,771	-	-	4,675,018	26,553,789
Total Depreciable	58,418,044	2,873,846	-	8,955,711	70,247,601
Less Accumulated Depreciation for:					
Buildings	(6,657,974)	(516,423)	-	(140,551)	(7,314,948)
Improvements other than building	(4,668,873)	(389,684)	-	-	(5,058,557)
Furniture Fixtures	(599,764)	(45,739)	-	(11,527)	(657,030)
Machinery and Equipment	(1,921,735)	(133,720)	-	(103,187)	(2,158,642)
Vehicles	(3,196,876)	(129,336)	-	67,966	(3,258,246)
Infrastructure	(8,063,116)	(1,058,301)	-	(9,314)	(9,130,731)
Total Accumulated Depreciation	(25,108,338)	(2,273,203)	-	(196,613)	(27,578,154)
Total Depreciable Capital Assets - Net	33,309,706	600,643	-	8,759,098	42,669,447
Total Governmental Capital Assets	\$ 43,572,337	\$ 614,908	\$ -	\$ 10,146,456	\$ 54,333,701

Depreciation expense for governmental activities was charged to the following programs during the year:

General Government	\$ 1,213,875
Police	62,474
Fire and Emergency Medical Services	66,795
Community Development and Environmental Services	269,351
Recreation and Community Services	660,708
Total depreciation expense	\$ 2,273,203

City of Albany
Notes to the Basic Financial Statements
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Capital assets related to business-type activities consisted of the following as of June 30, 2019:

Business Type Activities	Balance July 1, 2018	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2019
Non Depreciable					
Construction in progress	\$ 1,670,682	\$ 4,950,474	\$ -	\$ (1,670,682)	\$ 4,950,474
Depreciable:					
Buildings	-	-	-	2,320,024	2,320,024
Sewer Lines	21,204,274	-	-	3,030,649	24,234,923
Machinery and Equipment	56,928	-	-	41,676	98,604
Total Depreciable	21,261,202	-	-	5,392,349	26,653,551
Less Accumulated Depreciation					
Buildings	-	(46,400)	-	(50,267)	(96,667)
Sewer Lines	(7,320,139)	(484,532)	-	459,570	(7,345,101)
Machinery and Equipment	(56,928)	(8,335)	-	(25,572)	(90,835)
Total Accumulated Depreciation	(7,377,067)	(539,267)	-	383,731	(7,532,603)
Total Depreciable Capital Assets - Net	13,884,135	(539,267)	-	5,776,080	19,120,948
Total Business Type - Capital Assets	\$ 15,554,817	\$ 4,411,207	\$ -	\$ 4,105,398	\$ 24,071,422

NOTE 6 - LONG-TERM LIABILITIES

The City's long-term liabilities consisted of the following as of June 30, 2019:

Governmental Activities	Balance June 30, 2018	Adjustments	Additions	Deletions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds:						
2016 GO Refunding Bonds						
2-5%, 8/1/37	\$ 13,995,000	\$ -	\$ -	\$ (515,000)	\$ 13,480,000	\$ 540,000
Bond Premiums	1,124,519	(56,226)	-	(56,226)	1,012,067	-
Subtotal GO Bonds	15,119,519	(56,226)	-	(571,226)	14,492,067	540,000
Direct Borrowings:						
2009 Street & Storm Drain						
Parcel tax note, 4.60%, 8/1/1/21	1,252,040	-	-	(337,629)	914,411	353,339
2011 California Energy Commission						
1%, 6/2025	151,219	-	-	(20,962)	130,257	21,169
Lease Agreements:						
2017 Albany Service Center Lease						
3.9%, 9/1/37 (67%)	-	4,085,766	-	(76,401)	4,009,365	79,434
Lease Purchase Agreements	45,386	-	-	(45,386)	-	-
Subtotal Long-Term Debt	16,568,164	4,029,540	-	(1,051,604)	19,546,100	993,942
Claims Payable	1,047,698	-	454,874	(226,572)	1,276,000	348,000
Net Pension Liabilities	34,136,268	-	11,456,770	(9,750,586)	35,842,452	-
Total OPEB Liability	3,771,010	(278,431)	446,104	(167,673)	3,771,010	-
Compensated Absences	1,297,863	-	1,011,606	(794,686)	1,514,783	378,696
Total Long-Term Liabilities	\$ 56,821,003	\$ 3,751,109	\$ 13,369,354	\$ (11,991,121)	\$ 61,950,345	\$ 1,720,638
Business-Type Activities						
2017 Albany Service Center Lease						
3.9%, 9/1/37 (33%)	\$ -	\$ 2,042,883	\$ -	\$ (38,200)	\$ 2,004,683	\$ 79,434
2016 Sewer Refunding Bond	3,605,000	-	-	(515,000)	3,090,000	530,000
Total Long-Term Liabilities	\$ 3,605,000	\$ 2,042,883	\$ -	\$ (553,200)	\$ 5,094,683	\$ 609,434

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2016 General Obligation Refunding Bonds

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 1st and August 1st and principal payments are due August 1st 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 annual debt service requirements were as follows:

Fiscal Year	Principal	Interest	Debt Service
2020	\$ 540,000	\$ 439,613	\$ 979,613
2021	570,000	411,863	981,863
2022	600,000	382,613	982,613
2023	630,000	351,863	981,863
2024	665,000	319,488	984,488
2025-2029	3,835,000	1,118,338	4,953,338
2030-2034	4,385,000	601,650	4,986,650
2035-2039	2,255,000	138,075	2,393,075
Total	\$ 13,480,000	\$ 3,763,503	\$ 17,243,503

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.

The annual debt service requirements were as follows:

Fiscal Year	Principal	Interest	Debt Service
2020	\$ 353,339	\$ 38,046	\$ 391,385
2021	369,779	21,605	391,384
2022	191,293	4,400	195,693
Total	\$ 914,411	\$ 64,051	\$ 978,462

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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.

The annual debt service requirements were as follows:

Fiscal Year	Principal	Interest	Debt Service
2020	\$ 21,169	\$ 1,253	\$ 22,422
2021	21,385	1,038	22,423
2022	21,599	823	22,422
2023	21,816	607	22,423
2024	22,033	389	22,422
2025-2029	22,255	167	22,422
Total	\$ 130,257	\$ 4,277	\$ 134,534

2017 Albany Service Center Lease Purchase

On July 1, 2017, the City entered into a lease purchase agreement with the Albany Public Works Center, LLC for property located at 540 Cleveland Ave, Albany, CA 94705. The lease purchase facilitates the closing of the Design-Build Agreement the City had with C. Overaa & Co (the Company); whereas the Company and the City entered into a lease-leaseback agreement and the Company was required to sell the property back to the City at the end of the Lease. The lease purchase agreement included a principal advance of \$6,211,720 to be repaid monthly by September 1, 2037 at an annual percentage rate of 3.9%.

The annual debt service requirements were as follows:

Fiscal Year	Principal	Interest	Debt Service
2020	\$ 119,151	\$ 232,433	\$ 351,584
2021	123,882	227,702	351,584
2022	128,801	222,783	351,584
2023	133,915	217,669	351,584
2024	139,232	212,352	351,584
2025-2029	783,606	974,318	1,757,924
2030-2034	952,023	805,898	1,757,921
2035-2039	3,633,438	416,679	4,050,117
Total	\$ 6,014,048	\$ 3,309,834	\$ 9,323,882

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. The lease was completely repaid during the year.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

Sewer Revenue Bonds

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. Principal and interest paid for the current year was \$741,606 and sewer revenue net of operating expenses (excluding depreciation expense) was \$670,297.

The annual debt service requirements were as follows:

Fiscal Year	Pricipal	Interest	Debt Service
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	575,000	16,112	591,112
2025-2029	325,000	3,526	328,526
Total	\$ 3,090,000	\$ 204,739	\$ 3,294,739

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 \$360,741 at June 30, 2019. 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 7 - SPECIAL ASSESSMENT DISTRICT DEBT

On February 10, 1999 the City issued Limited Obligation Improvement Bonds in the amount of \$6,230,000, pursuant to the provisions of the Improvement Bond Act of 1915 and the 1972 LLMD Act. The bonds were issued to finance certain improvements and acquisitions in the City’s Open Space, Recreational Playfield, and Creek Restoration Assessment District No. 1996-1 (the District). Assessments sufficient to meet annual debt service on the bonds 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, 2019 was \$455,000.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

NOTE 8 - 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 public entity risk pools 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.

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.

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 was as follows:

	Worker's Compensation	General Liability	Total
Balance July 1, 2017	\$ 906,000	\$ 141,698	\$ 1,047,698
Increase (Decrease) in current year claims and changes in estimates	274,906	81,868	356,774
Claims paid	(274,906)	(81,868)	(356,774)
Balance June 30, 2018	906,000	141,698	1,047,698
Increase (Decrease) in current year claims and changes in estimates	204,719	250,155	454,874
Claims paid	(104,719)	(121,853)	(226,572)
Balance June 30, 2019	<u>\$ 1,006,000</u>	<u>\$ 270,000</u>	<u>\$ 1,276,000</u>

City of Albany
Notes to the Basic Financial Statements
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NOTE 9 - RETIREMENT PLANS

A. Summary of Pension Plan Balances

The following summarizes the pension plan balance as of June 30, 2019:

Description	Plan Type	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Police and Fire Relief Fund	Single Employer	\$ 7,999,419	\$ 716,772	\$ -	\$ 1,827,704
CalPERS Misc and Safety	Cost Sharing	27,843,033	8,774,041	3,194,847	3,870,790
Totals		<u>\$ 35,842,452</u>	<u>\$ 9,490,813</u>	<u>\$ 3,194,847</u>	<u>\$ 5,698,494</u>

B. Single Employer Plan - Police and Fire Relief Fund

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 Requirement			Death Benefit		
Eligibility:	Age 50 with 25 years of service, or 30 years of service regardless of age		Eligibility:	Death after retirement	
Amount:	Years of Service	Percentage of Average Yearly Salary	Amount:	Years Married at Retirement	Percentage of Average Yearly Salary
	25	50.00%		Less than five	16.67%
	26	53.33%		At least five	50.00%
	27	56.67%			
	28	60.00%			
	29	63.33%			
	30	66.67%			

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

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

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.

City of Albany
Notes to the Basic Financial Statements
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Employees Covered

At June 30, 2019, the following employees were covered by the benefit terms for the Plans:

Inactive employees receiving benefits	19
Total Employees Covered	<u>19</u>

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.

For the year ended June 30, 2019, the following contributions were made:

Contributions - employer	\$ 218,723
Total contributions	<u>\$ 218,723</u>

Pension Liabilities and Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

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, 2018, using an annual actuarial valuation as of June 30, 2018. The following summarizes the changes in the net pension liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 13,058,273	\$ 6,666,348	\$ 6,391,925
Interest in Total Pension Liability	563,799	-	563,799
Changes in assumptions	1,667,884	-	1,667,884
Difference between actual and expected experience	(627,406)	-	(627,406)
Employer contributions	-	218,723	(218,723)
Net investment income	-	313,712	(313,712)
Benefit payments	(1,279,564)	(1,279,564)	-
Administrative expenses	-	(101,709)	101,709
Other	-	(92,454)	92,454
Net changes	<u>324,713</u>	<u>(941,292)</u>	<u>1,266,005</u>
Balance at June 30, 2019	<u>\$ 13,382,986</u>	<u>\$ 5,725,056</u>	<u>\$ 7,657,930</u>

For the year ended June 30, 2019, the City recognized pension expense of \$1,827,704.

City of Albany
Notes to the Basic Financial Statements
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At June 30, 2019, 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	\$ 218,723	\$ -
Net differences between projected and actual earnings on plan investments	498,049	-
Total	<u>\$ 716,772</u>	<u>\$ -</u>

The City reported \$218,723 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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 Ended June 30	Recognized to Pension Expense
2020	\$ 99,056
2021	236,429
2022	143,052
2023	19,512
Total	<u>\$ 498,049</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	4.25%
Inflation	2.50%
Projected Salary Increase	3.00%
Investment Rate of Return	6.00%
Mortality	Dec. 2017 CalPERS Study

Discount Rate

The discount rate used to measure the total pension liability was 4.25%. The projection of cash flows used to determine the discount rate assumed that contributions would 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%) with the weighted average yield of S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018 (3.62%).

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

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	Target Allocation	Long-Term Expected Real Rate of Return
US Equity Large Cap	37%	6.6%
International Equity	9%	6.6%
Fixed Income	40%	2.2%
Alternatives	14%	1.6%
Total	100%	

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 Plans, calculated using the discount rate for the Plans, 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		5.25%
Net Pension Liability	\$	6,740,098
Current Discount Rate		4.25%
Net Pension Liability	\$	7,657,930
1% Increase		3.25%
Net Pension Liability	\$	8,709,109

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.

C. CalPERS Cost Sharing Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous and Safety Employee Pension Plans (the Plans); cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 fulltime employment. The cost of living adjustments for the Plans are applied as specified by the Public Employees’ Retirement Law.

City of Albany
Notes to the Basic Financial Statements
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The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	< 1/1/2013	< 1/1/2013	>= 1/1/2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.50%	2.00%	2.70%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.022%	7.634%	6.842%
Total combined rate	18.022%	14.634%	13.092%

	Fire		
	Tier 1	Tier 2	PEPRA
Hire date	< 1/1/2013	< 1/1/2013	>= 1/1/2013
Benefit formula	3% @ 55	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	55	57
Monthly benefits as a % of eligible compensation	3.00%	3.00%	2.70%
Required employee contribution rates	9.000%	9.000%	12.000%
Required employer contribution rates	8.177%	7.114%	12.141%
Contractual employee contribution rates	12.000%	12.000%	12.000%
Contractual employer contribution rates	15.677%	14.614%	12.141%
Total combined rate	27.677%	26.614%	24.141%

	Police	
	Tier 1	PEPRA
Hire date	< 1/1/2013	>= 1/1/2013
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	57
Monthly benefits as a % of eligible compensation	3.00%	2.70%
Required employee contribution rates	9.000%	12.000%
Required employer contribution rates	7.677%	12.141%
Contractual employee contribution rates	12.000%	12.000%
Contractual employer contribution rates	15.677%	12.141%
Total combined rate	27.677%	24.141%

City of Albany
Notes to the Basic Financial Statements
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Employees Covered

At June 30, 2019, the following employees were covered by the benefit terms for the Plans:

	<u>Miscellaneous</u>	<u>Safety</u>
Active	57	43
Transferred	69	25
Separated	30	12
Retired	75	50
Total	<u>231</u>	<u>130</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are 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.

For the year ended June 30, 2019, the following contributions were made:

Miscellaneous	\$ 328,535
Safety	2,261,641
Total	<u>\$ 2,590,176</u>

Pension Liabilities and Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 9,078,428
Safety	18,764,605
Total	<u>\$ 27,843,033</u>

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2018, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

The City's proportionate share of the net pension liability for the Plans as of June 30, 2018 and 2019 was as follows:

	Combined Plans	Safety	Miscellaneous
Proportion - June 30, 2018	0.27976%	0.30979%	0.23424%
Proportion - June 30, 2019	0.28894%	0.31980%	0.24089%
Change - Increase/(Decrease)	0.00918%	0.01002%	0.00665%

For the year ended June 30, 2019, the City recognized pension expense of \$3,870,790.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous and Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 2,876,103	\$ 502,053
Differences between Expected and Actual Experience	751,511	120,062
Differences between Projected and Actual Investment Earnings	171,927	-
Differences between Employer's Contributions and Proportionate Share of Contributions	28	1,977,263
Change in Employer's Proportion	2,384,297	595,469
Pension Contributions Made Subsequent to Measurement Date	2,590,176	-
Total	\$ 8,774,042	\$ 3,194,847

The City reported \$2,876,103 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
Ending June 30:			
2020	\$ 1,427,257	\$ 1,163,005	\$ 2,590,262
2021	891,304	627,171	1,518,475
2022	(402,214)	(505,876)	(908,091)
2023	(81,655)	(129,973)	(211,628)
2024	-	-	-
Thereafter	-	-	-
Total	\$ 1,834,692	\$ 1,154,327	\$ 2,989,018

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

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, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plans, 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. According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses.

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. 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.

City of Albany
Notes to the Basic Financial Statements
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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	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Infrastructure and Forestland	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% 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 Plans, calculated using the discount rate for the Plans, 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:

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability \$	13,610,271	29,728,638	43,338,909
Current	7.15%	7.15%	7.15%
Net Pension Liability \$	9,078,428	18,764,605	27,843,033
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability \$	5,337,466	9,781,544	15,119,009

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN

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

Benefits Provided

Eligibility for retiree health benefits requires retirement from the City on or after age 50 (age 52 for PEPPRA 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 Manager 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.

Employees Covered by Benefit Terms

At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	103
Inactive employees	<u>43</u>
Total employees	<u>146</u>

Contributions

The City makes contributions based on a pay-as-you go basis as approved by the authority of the City's Board. Total benefit payments included in the measurement period were \$42,942 while benefit payments for the fiscal year were \$46,639. The City's contributions, which equal the benefit payments, were .4% of covered employee payroll during the measurement period June 30, 2017 (reporting period June 30, 2019). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

City of Albany
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June 30, 2019

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.50%
Payroll Increases	2.75%
Trend Rate	7% to 3.84%
Municipal Bond Rate	3.50%
Mortality	Derived using CalPERS membership data for all funds

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2018 (measurement date) and was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2019 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2019:

Fiscal Year Ended June 30, 2019	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018	\$ 3,492,579	\$ -	\$ 3,492,579
Service cost	260,164	-	260,164
Interest in Total OPEB Liability	129,175	-	129,175
Actual and exp experience	54	-	54
Changes in assumptions	10,072	-	10,072
Benefit payments	(42,942)	-	(42,942)
Implicit rate subsidy fulfilled	(78,092)	-	(78,092)
Net changes	278,431	-	278,431
Balance at June 30, 2019	\$ 3,771,010	\$ -	\$ 3,771,010
Covered Employee Payroll	\$ 11,735,894		
Total OPEB Liability as a % of Covered Employee Payroll	32.13%		
Service Cost as a % of Covered Employee Payroll	2.22%		

The City's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

Deferred Inflows and Outflows of Resources

At June 30, 2019, 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
Difference between actual and expected experience	\$ 47	\$ -
Change in assumptions	8,829	-
OPEB contribution subsequent to measurement date	46,639	-
Totals	\$ 55,515	\$ -

Of the total amount reported as deferred outflows of resources related to OPEB, \$46,639 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ 1,250
2021	1,250
2022	1,250
2023	1,250
2024	1,251
Thereafter	<u>2,625</u>
Total	\$ 8,876

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2019:

Service cost	\$ 260,164
Interest in TOL	129,175
Difference between actual and expected experience	8
Change in assumptions	<u>1,242</u>
OPEB Expense	\$ 390,589

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019:

Total OPEB liability ending	\$ 3,771,010
Total OPEB liability beginning	<u>(3,492,579)</u>
Change in total OPEB liability	278,431
Changes in deferred outflows	34,066
Employer contributions and implicit subsidy	<u>78,092</u>
OPEB Expense	\$ 390,589

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	1% Decrease	3.50%	1% Increase
Total OPEB Liability	\$ 3,931,655	\$ 3,771,010	\$ 3,142,669

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	1% Decrease	8% to 5%	1% Increase
Total OPEB Liability	\$ 3,040,995	\$ 3,771,010	\$ 4,075,326

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation

The City is subject to certain matters of litigation arising in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants if required by and in accordance with the provisions of the Uniform Guidance, Generally Accepted Governmental Auditing Standards and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

City of Albany
Notes to the Basic Financial Statements
June 30, 2019

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

The following summarizes the adjustments to beginning net position:

Description	Government-Wide		Total Net Position
	Governmental Activities	Business-Type Activities	
Capital asset additions	\$ 5,607,032	\$ 1,835,641	\$ 7,442,673
Capital asset lease purchase	4,539,514	2,269,757	6,809,271
Cash and accrual adjustments	-	1,728,043	1,728,043
Cash allocation adjustments	(1,836,499)	-	(1,836,499)
Pension adjustments	2,239,015	-	2,239,015
OPEB adjustments	321,373	-	321,373
Long-term debt lease purchase	(4,085,766)	(2,042,883)	(6,128,649)
Other reconciling items	56,226	-	56,226
Totals	<u>\$ 6,840,895</u>	<u>\$ 3,790,558</u>	<u>\$ 10,631,453</u>

The following summarizes the adjustments to beginning fund balances:

Description	Governmental Funds			Total Governmental Funds
	General Fund	Street & Storm Fund	Nonmajor Governmental Funds	
Cash and accrual adjustments	\$ (2,100,339)	\$ -	\$ -	\$ (2,100,339)
Cash allocation adjustments	(4,394,446)	128,794	4,265,652	-
Totals	<u>\$ (6,494,785)</u>	<u>\$ 128,794</u>	<u>\$ 4,265,652</u>	<u>\$ (2,100,339)</u>



REQUIRED SUPPLEMENTARY INFORMATION

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City of Albany
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 7,047,517	\$ 7,205,901	\$ 7,740,253	\$ 534,352
Sales and use taxes	4,099,203	4,330,100	4,501,322	171,222
Franchise and other taxes	4,730,814	4,557,480	4,874,354	316,874
License and permits	300,450	455,200	518,638	63,438
Fines and forfeitures	345,000	270,000	203,854	(66,146)
Investment earnings	14,785	14,485	483,175	468,690
Intergovernmental revenues	269,697	256,800	489,613	232,813
Charges for services	2,183,310	1,518,920	1,280,477	(238,443)
Rents and concessions	114,000	114,000	138,787	24,787
Other revenues	167,810	207,560	250,532	42,972
Total Revenues	19,272,586	18,930,446	20,481,005	1,550,559
EXPENDITURES				
Current:				
General Government	3,897,308	5,287,310	6,127,672	(840,362)
Police	7,445,367	7,525,917	6,232,741	1,293,176
Fire and emergency medical services	2,791,009	2,756,749	2,901,621	(144,872)
Community development and environmental services	2,889,338	2,953,511	2,314,073	639,438
Recreation and community services	2,552,777	2,049,714	2,227,819	(178,105)
Capital outlay	-	-	84,235	(84,235)
Debt service				
Principal retirement	-	-	83,587	(83,587)
Interest and fiscal charges	-	-	79,529	(79,529)
Total Expenditures	19,575,799	20,573,201	20,051,277	521,924
Excess (Deficiency) of Revenues over Expenditures	(303,213)	(1,642,755)	429,728	2,072,483
OTHER FINANCING SOURCES (USES)				
Transfers in	891,100	891,100	1,148,478	257,378
Transfers out	(494,850)	(630,853)	(673,802)	(42,949)
Total Other Financing Sources (Uses)	396,250	260,247	474,676	214,429
Net Change in Fund Balance	93,037	(1,382,508)	904,404	2,286,912
Fund Balance Beginning	8,846,242	8,846,242	8,846,242	-
Prior Period Adjustments - Cash Allocations	(6,494,785)	(6,494,785)	(6,494,785)	-
Fund Balance Beginning, as Adjusted	2,351,457	2,351,457	2,351,457	-
Fund Balance Ending	\$ 2,444,494	\$ 968,949	\$ 3,255,861	\$ 2,286,912

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

City of Albany
Required Supplementary Information
Schedule of Pension Contributions
Single Employer Plan (Police and Fire Relief Fund)
June 30, 2019

Fiscal Year Ended	2019	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 218,723	\$ 218,723	\$ 218,723	\$ 82,401	\$ 82,401
Contributions in Relation to Actuarially Determined Contributions	(218,723)	(218,723)	-	-	(82,401)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 218,723	\$ 82,401	\$ -
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	n/a	n/a	n/a	n/a	n/a

Notes to Schedule:

Valuation Date: June 30, 2018
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll (Closed) Used Amortization Method
Discount Rate 4.25%
Cost of Living Increase 3%
Inflation Assumed at 2.5%
Investment Rate of Returns set at 6%
Mortality based on assumption for Public Safety members published in Dec. 2017 CalPERS Study

** Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

City of Albany
Required Supplementary Information
Schedule of Changes in Net Pension Liability
Single Employer Plan (Police and Fire Relief Fund)
June 30, 2019

Fiscal Year Ended	2019	2018	2017	2016	2015
Total pension liability					
Interest	\$ 563,799	\$ 556,000	\$ 689,200	\$ 667,736	\$ 774,708
Differences between expected and actual experience	(627,406)	-	-	1,348,531	-
Changes of assumptions	1,667,884	(377,454)	1,228,156	499,219	945,018
Benefit payments	<u>(1,279,564)</u>	<u>(1,283,577)</u>	<u>(1,351,708)</u>	<u>(1,411,164)</u>	<u>(1,384,481)</u>
Net change in total pension liability	324,713	(1,105,031)	565,648	1,104,322	335,245
Total pension liability - beginning	<u>13,058,273</u>	<u>14,163,304</u>	<u>13,597,656</u>	<u>12,493,334</u>	<u>12,158,089</u>
Total pension liability - ending	<u>\$ 13,382,986</u>	<u>\$ 13,058,273</u>	<u>\$ 14,163,304</u>	<u>\$ 13,597,656</u>	<u>\$ 12,493,334</u>
Plan fiduciary net position					
Employer contributions	\$ 218,723	\$ 218,723	\$ -	\$ -	\$ 82,401
Net investment income	313,712	887,945	(103,177)	131,946	1,287,597
Benefit payments	(1,279,564)	(1,283,577)	(1,351,708)	(1,411,164)	(1,384,481)
Other	(92,454)	-	-	-	-
Administrative expense	<u>(101,709)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(941,292)	(176,909)	(1,454,885)	(1,279,218)	(14,483)
Plan fiduciary net position - beginning	<u>6,666,348</u>	<u>6,843,257</u>	<u>8,298,142</u>	<u>9,577,360</u>	<u>9,591,843</u>
Plan fiduciary net position - ending	<u>\$ 5,725,056</u>	<u>\$ 6,666,348</u>	<u>\$ 6,843,257</u>	<u>\$ 8,298,142</u>	<u>\$ 9,577,360</u>
Net pension liability	7,657,930	6,391,925	7,320,047	5,299,514	2,915,974
Plan fiduciary net position as a percentage of the total pension liability	42.78%	51.05%	48.32%	61.03%	76.66%

Notes to Schedule:

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

There were no changes in benefit terms.

There were no changes in trend rates.

The discount rate changed from 5.66% to 5.33% in FY 2016; 4.11% in FY 2017 and 4.54% in FY 2018.

Change in mortality assumptions from RP-2000, projected seven years from the valuation date on a static basis to RP-2000, projected ten years from the valuation date on a static basis.

City of Albany
Required Supplementary Information
Schedule of Pension Contributions
CalPERS Cost Sharing Plans
June 30, 2019

Miscellaneous and Safety Plan					
Fiscal Year Ended	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 1,231,831	\$ 1,498,446	\$ 1,570,862	\$ 1,814,405	\$ 2,590,176
Contributions in Relation to					
Contractually Required Contributions	1,231,831	1,498,446	1,570,862	1,814,405	2,590,176
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,831,933	\$ 9,368,339	\$ 9,649,389	\$ 9,938,871	\$ 10,237,037
Contributions as a % of					
Covered Payroll	13.95%	15.99%	16.28%	18.26%	25.30%

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Albany
Required Supplementary Information
Schedule of Pension Contributions
CalPERS Cost Sharing Plans
June 30, 2019

Miscellaneous and Safety Plan

Fiscal Year Ended	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of Net Pension Liability	0.26355%	0.26297%	0.27660%	0.27976%	0.28894%
Proportionate Share of Net Pension Liability	\$ 16,399,349	\$ 18,050,164	\$ 23,934,673	\$ 27,744,343	\$ 27,843,033
Covered Payroll	\$ 8,553,930	\$ 8,831,933	\$ 9,368,339	\$ 9,649,389	\$ 9,938,871
Proportionate Share of NPL as a % of Covered Payroll	191.72%	204.37%	255.48%	287.52%	280.14%
Plan's Fiduciary Net Position as a % of the TPL	79.56%	76.73%	75.75%	74.21%	75.37%

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Albany
Required Supplementary Information
Schedule of Changes in Total OPEB Liability
June 30, 2019

Fiscal Year Ended	2018	2019
Total OPEB liability		
Service cost	\$ 244,341	\$ 260,164
Interest	119,827	129,175
Differences between expected and actual experience	-	54
Changes of assumptions	-	10,072
Benefit payments	(28,742)	(42,942)
Implicit subsidy fulfilled	(72,983)	(78,092)
Net change in Total OPEB Liability	262,443	278,431
Total OPEB Liability - beginning	3,230,136	3,492,579
Total OPEB Liability - ending	<u>\$ 3,492,579</u>	<u>\$ 3,771,010</u>
 Plan fiduciary net position		
Net change in plan fiduciary net position	\$ -	\$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB liability (asset)	 \$ 3,492,579	 3,771,010
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%
 Covered Employee Payroll	 \$ 11,107,696	 \$ 11,421,795
 Net OPEB liability as a percentage of covered employee payroll	 31.44%	 33.02%
 Total OPEB liability as a percentage of covered employee payroll	 31.44%	 33.02%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

No change in benefit terms or discount rate. The payroll growth rate was decreased from 2.875% to Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.



SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific revenue sources. These funds are required by statute, ordinance, or grantor restrictions to finance specified functions or activities of government.

NONMAJOR CAPITAL PROJECTS FUNDS

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

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds account for financial resources used to pay the City's long-term debt.

City of Albany
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 9,523,720	\$ 5,223,972	\$ -	\$ 14,747,692
Debt service reserves held with trustee	-	-	360,741	360,741
Due from other governments	406,658	-	-	406,658
Total assets	\$ 9,930,378	\$ 5,223,972	\$ 360,741	\$ 15,515,091
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 911,542	\$ 99,889	\$ -	\$ 1,011,431
Payroll related liabilities	82,302	877	-	83,179
Deposits and other liabilities	1,014	-	-	1,014
Due to other funds	187,241	-	-	187,241
Total liabilities	1,182,099	100,766	-	1,282,865
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	1,500,436	-	-	1,500,436
Law enforcement and training	722,273	-	-	722,273
Transportation projects	4,617,515	-	-	4,617,515
Recreation playfields, open space and creek restoration	447,887	2,419,911	-	2,867,798
Lighting and landscape projects	93,621	-	-	93,621
Sidewalks	407,485	-	-	407,485
Library	327,763	-	-	327,763
Collision response and Extrication	12	-	-	12
Prevention of nonpoint source pollution	941,265	-	-	941,265
Waste reduction and management	119,717	-	-	119,717
Transition improvement plan	3,398	-	-	3,398
Public art promotion	-	142,352	-	142,352
Community capital improvements	-	201,898	-	201,898
Debt service	-	-	360,741	360,741
Assigned:				
Community Center maintenance and equipment	-	824,439	-	824,439
Economic development and land use	-	173,062	-	173,062
Police vehicles and equipment	-	442,342	-	442,342
Fire engines and equipment	-	279,940	-	279,940
Emergency medical services equipment	-	192,025	-	192,025
Fire operations equipment	-	88,555	-	88,555
General equipment replacement	-	365,782	-	365,782
Public works and park equipment	-	61,443	-	61,443
Unassigned	(433,093)	(68,543)	-	(501,636)
Total fund balances	8,748,279	5,123,206	360,741	14,232,226
Total liabilities and fund balances	\$ 9,930,378	\$ 5,223,972	\$ 360,741	\$ 15,515,091

City of Albany

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 3,888,554	\$ -	\$ 1,085,946	\$ 4,974,500
Investment earnings	48,568	-	7,471	56,039
Intergovernmental revenues	3,617,776	-	-	3,617,776
Charges for services	1,123,809	201,675	-	1,325,484
Rents and concessions	-	6,000	-	6,000
Other revenues	455	946,891	-	947,346
Total Revenues	8,679,162	1,154,566	1,093,417	10,927,145
EXPENDITURES				
Current:				
General Government	61,830	-	-	61,830
Police	66,841	-	-	66,841
Fire and emergency medical services	2,429,488	-	-	2,429,488
Community development and environmental services	1,401,413	1,842	-	1,403,255
Recreation and community services	869,734	74,898	-	944,632
Capital outlay	994,250	846,419	-	1,840,669
Debt service:				
Principal	59,162	-	852,629	911,791
Interest and fiscal charges	78,938	-	522,851	601,789
Total Expenditures	5,961,656	923,159	1,375,480	8,260,295
Excess (Deficiency) of Revenues over Expenditures	2,717,506	231,407	(282,063)	2,666,850
OTHER FINANCING SOURCES (USES)				
Transfers in	708,703	244,751	391,834	1,345,288
Transfers out	(1,428,130)	-	-	(1,428,130)
Total Other Financing Sources (Uses)	(719,427)	244,751	391,834	(82,842)
Net Change in Fund Balances	1,998,079	476,158	109,771	2,584,008
Fund Balances Beginning	4,072,702	2,064,935	1,244,929	7,382,566
Prior Period Adjustments - Cash Allocations	2,677,498	2,582,113	(993,959)	4,265,652
Fund Balances Beginning, as Adjusted	6,750,200	4,647,048	250,970	11,648,218
Fund Balances Ending	\$ 8,748,279	\$ 5,123,206	\$ 360,741	\$ 14,232,226

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NONMAJOR SPECIAL REVENUE FUNDS

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

Pension Tax Fund accounts for the balances and expenditures of revenues provided by the special property tax levied to fund the obligations of the City of Albany Police and Fire Relief or Pension Fund (Trust) as well as a portion of the current police and fire retirement benefits.

Emergency Medical Services Fund accounts for revenue received from emergency medical services including ambulance fees and Paramedic Emergency Medical Service and Advanced Life Support assessments. These funds are expended for emergency medical services provided by the City.

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

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

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

MTC Paratransit Taxi Fund accounts for paratransit transportation services provided to qualified Albany senior residents and to people with disabilities 18 years and over.

Alameda County Vehicle Registration Fee (VRF) Fund accounts for revenue the city receives from the county that is an allocation of vehicle registration fees collected by the State. Expenditures are restricted to transportation purposes.

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

Traffic Congestion Relief Fund accounts for revenue the city receives from the state for public transportation purposes.

TDA Transportation Development Act Fund accounts for the City's projects funded by the Transportation Development Act.

Safe Routes to School Fund accounts for the grant revenues restricted for the Safe Routes to School program.

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

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

Alameda County Measure BB Paratransit Fund accounts for grants from Measure BB for paratransit transportation services.

Alameda County Measure B Competitive Fund accounts for grants from Measure B for transportation services.

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

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

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

Lighting and Landscape District Fund 1998-1 accounts for assessments levied on district property and are used for landscape and lighting projects, services and maintenance, and debt service on the 1997 Refunding COPS.

Sidewalk Parcel Tax Fund accounts for voter approved parcel taxes for repairs to sidewalks and to improve the walkability of the City.

Parks Open Space Fund accounts for resources set-aside for parks and open space.

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

Measure WW Extended EBRPD Fund accounts for monies received from the East Bay Regional Parks District Measure WW Bonds. These funds are used for rehabilitation and restoration of parks and recreation facilities.

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

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

Fire Grant accounts for expenditures incurred for the Regional Collision Response and Extrication Improvement Program.

Operating Grants Fund accounts for grant revenues and expenditures for general purposes.

Storm Drain Fund accounts for revenues and expenditures for programs and activities used to prevent nonpoint source pollution.

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

Waterfront Fund accounts for a state grant to prepare a transition improvement plan for the Albany Neck and Bulb area.

Senate Bill 1 (SB1) Fund accounts for state grants for road repair and accountability.

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	Pension Property Tax Fund	Emergency Medical Services Fund	Asset Forfeiture Fund	Streets and Roads Measure B Fund
ASSETS				
Cash and investments	\$ 1,500,436	\$ -	\$ 58,156	\$ 1,185,904
Due from other governments	-	-	-	167,571
Total assets	\$ 1,500,436	\$ -	\$ 58,156	\$ 1,353,475
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 54,420	\$ -	\$ -
Payroll related liabilities	-	60,491	-	-
Deposits and other liabilities	-	-	1,014	-
Due to other funds	-	-	-	-
Total liabilities	-	114,911	1,014	-
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	1,500,436	-	-	-
Law enforcement and training	-	-	57,142	-
Transportation projects	-	-	-	1,353,475
Recreation playfields, open space and creek restoration	-	-	-	-
Lighting and landscape projects	-	-	-	-
Sidewalks	-	-	-	-
Library	-	-	-	-
Collision response and Extrication	-	-	-	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	-	(114,911)	-	-
Total fund balances	1,500,436	(114,911)	57,142	1,353,475
Total liabilities and fund balances	\$ 1,500,436	\$ -	\$ 58,156	\$ 1,353,475

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	Alameda County Measure B Bike & Ped. Fund	MTC Paratransit Taxi Fund	Alameda County VRF Fund	Gas Tax Fund
ASSETS				
Cash and investments	\$ 131,525	\$ -	\$ 172,207	\$ 673,845
Due from other governments	21,061	11,628	20,030	-
Total assets	\$ 152,586	\$ 11,628	\$ 192,237	\$ 673,845
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 566	\$ -	\$ -	\$ 63,562
Payroll related liabilities	-	2,244	-	4,267
Deposits and other liabilities	-	-	-	-
Due to other funds	-	32,688	-	-
Total liabilities	566	34,932	-	67,829
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	-	-	-	-
Law enforcement and training	-	-	-	-
Transportation projects	152,020	-	192,237	606,016
Recreation playfields, open space and creek restoration	-	-	-	-
Lighting and landscape projects	-	-	-	-
Sidewalks	-	-	-	-
Library	-	-	-	-
Collision response and Extrication	-	-	-	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	-	(23,304)	-	-
Total fund balances	152,020	(23,304)	192,237	606,016
Total liabilities and fund balances	\$ 152,586	\$ 11,628	\$ 192,237	\$ 673,845

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	Traffic Congestion Relief Fund	TDA Transportation Development Act Fund	Safe Routes to School Fund	State Active Transportation Grant Fund
ASSETS				
Cash and investments	\$ -	\$ 362,062	\$ 88,037	\$ 44,601
Due from other governments	-	-	-	-
Total assets	\$ -	\$ 362,062	\$ 88,037	\$ 44,601
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 163,445
Payroll related liabilities	-	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	163,445
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	-	-	-	-
Law enforcement and training	-	-	-	-
Transportation projects	-	362,062	88,037	-
Recreation playfields, open space and creek restoration	-	-	-	-
Lighting and landscape projects	-	-	-	-
Sidewalks	-	-	-	-
Library	-	-	-	-
Collision response and Extrication	-	-	-	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	-	-	-	(118,844)
Total fund balances	-	362,062	88,037	(118,844)
Total liabilities and fund balances	\$ -	\$ 362,062	\$ 88,037	\$ 44,601

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	Measure BB Local Streets and Roads Fund	Measure BB Bike and Pedestrian Fund	Measure BB Paratransit Fund	Measure B Competitive Fund
ASSETS				
Cash and investments	\$ 1,518,980	\$ 111,410	\$ 47,255	\$ -
Due from other governments	157,243	17,146	11,979	-
Total assets	\$ 1,676,223	\$ 128,556	\$ 59,234	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 345	\$ -	\$ -
Payroll related liabilities	-	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds	-	-	-	29,753
Total liabilities	-	345	-	29,753
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	-	-	-	-
Law enforcement and training	-	-	-	-
Transportation projects	1,676,223	128,211	59,234	-
Recreation playfields, open space and creek restoration	-	-	-	-
Lighting and landscape projects	-	-	-	-
Sidewalks	-	-	-	-
Library	-	-	-	-
Collision response and Extrication	-	-	-	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	-	-	-	(29,753)
Total fund balances	1,676,223	128,211	59,234	(29,753)
Total liabilities and fund balances	\$ 1,676,223	\$ 128,556	\$ 59,234	\$ -

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	L&LAD 1996-1 Open Space Fund	L&LAD 1996-1 Recreational Playfields Fund	L&LAD 1996-1 Creek Restoration Fund	Lighting and Landscape 1998-1 Fund
ASSETS				
Cash and investments	\$ 165,705	\$ 73,656	\$ 244,070	\$ 121,133
Due from other governments	-	-	-	-
Total assets	\$ 165,705	\$ 73,656	\$ 244,070	\$ 121,133
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 17,118
Payroll related liabilities	-	-	-	10,394
Deposits and other liabilities	-	-	-	-
Due to other funds	-	35,544	-	-
Total liabilities	-	35,544	-	27,512
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	-	-	-	-
Law enforcement and training	-	-	-	-
Transportation projects	-	-	-	-
Recreation playfields, open space and creek restoration	165,705	38,112	244,070	-
Lighting and landscape projects	-	-	-	93,621
Sidewalks	-	-	-	-
Library	-	-	-	-
Collision response and Extrication	-	-	-	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	165,705	38,112	244,070	93,621
Total liabilities and fund balances	\$ 165,705	\$ 73,656	\$ 244,070	\$ 121,133

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	Sidewalk Parcel Tax Fund	Parks Open Space Fund	Library Operations Fund	Measure WW Extended EBRPD Bond Fund
ASSETS				
Cash and investments	\$ 407,485	\$ -	\$ 513,078	\$ -
Due from other governments	-	-	-	-
Total assets	\$ 407,485	\$ -	\$ 513,078	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 185,315	\$ 16,533
Payroll related liabilities	-	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds	-	3,203	-	-
Total liabilities	-	3,203	185,315	16,533
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	-	-	-	-
Law enforcement and training	-	-	-	-
Transportation projects	-	-	-	-
Recreation playfields, open space and creek restoration	-	-	-	-
Lighting and landscape projects	-	-	-	-
Sidewalks	407,485	-	-	-
Library	-	-	327,763	-
Collision response and Extrication	-	-	-	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	-	(3,203)	-	(16,533)
Total fund balances	407,485	(3,203)	327,763	(16,533)
Total liabilities and fund balances	\$ 407,485	\$ -	\$ 513,078	\$ -

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	CDBG Fund	Law Enforcement Grants Fund	Fire Grant Fund	Operating Grants Fund
ASSETS				
Cash and investments	\$ -	\$ 665,131	\$ 12	\$ -
Due from other governments	-	-	-	-
Total assets	\$ -	\$ 665,131	\$ 12	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,785	\$ -	\$ -	\$ -
Payroll related liabilities	-	-	-	-
Deposits and other liabilities	-	-	-	-
Due to other funds	86,053	-	-	-
Total liabilities	90,838	-	-	-
Fund Balances:				
Restricted:				
Police and Fire pension and retirement benefits	-	-	-	-
Law enforcement and training	-	665,131	-	-
Transportation projects	-	-	-	-
Recreation playfields, open space and creek restoration	-	-	-	-
Lighting and landscape projects	-	-	-	-
Sidewalks	-	-	-	-
Library	-	-	-	-
Collision response and Extrication	-	-	12	-
Prevention of nonpoint source pollution	-	-	-	-
Waste reduction and management	-	-	-	-
Transition improvement plan	-	-	-	-
Unassigned	(90,838)	-	-	-
Total fund balances	(90,838)	665,131	12	-
Total liabilities and fund balances	\$ -	\$ 665,131	\$ 12	\$ -

Cont'd

City of Albany
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2019

	Storm Drain Fund	Waste Management Fund	Waterfront Fund	SB1 Fund	Total Special Revenue Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 978,033	\$ 178,143	\$ 3,398	\$ 279,458	\$ 9,523,720
Due from other governments	-	-	-	-	406,658
Total assets	\$ 978,033	\$ 178,143	\$ 3,398	\$ 279,458	\$ 9,930,378
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 31,862	\$ 58,426	\$ -	\$ 315,165	\$ 911,542
Payroll related liabilities	4,906	-	-	-	82,302
Deposits and other liabilities	-	-	-	-	1,014
Due to other funds	-	-	-	-	187,241
Total liabilities	36,768	58,426	-	315,165	1,182,099
Fund Balances:					
Restricted:					
Police and Fire pension and retirement benefits	-	-	-	-	1,500,436
Law enforcement and training	-	-	-	-	722,273
Transportation projects	-	-	-	-	4,617,515
Recreation playfields, open space and creek restoration	-	-	-	-	447,887
Lighting and landscape projects	-	-	-	-	93,621
Sidewalks	-	-	-	-	407,485
Library	-	-	-	-	327,763
Collision response and Extrication	-	-	-	-	12
Prevention of nonpoint source pollution	941,265	-	-	-	941,265
Waste reduction and management	-	119,717	-	-	119,717
Transition improvement plan	-	-	3,398	-	3,398
Unassigned	-	-	-	(35,707)	(433,093)
Total fund balances	941,265	119,717	3,398	(35,707)	8,748,279
Total liabilities and fund balances	\$ 978,033	\$ 178,143	\$ 3,398	\$ 279,458	\$ 9,930,378

Concluded

City of Albany
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Pension Property Tax Fund	Emergency Medical Services Fund	Asset Forfeiture Fund	Streets and Roads Measure B Fund
REVENUES				
Property taxes	\$ 1,224,578	\$ 850,089	\$ -	\$ -
Investment earnings	-	-	-	-
Intergovernmental revenues	-	-	-	533,169
Charges for services	-	969,929	-	-
Other revenues	-	-	455	-
Total Revenues	1,224,578	1,820,018	455	533,169
EXPENDITURES				
Current:				
General Government	-	-	-	1,078
Police	-	-	66,841	-
Fire and emergency medical services	-	2,429,488	-	-
Community development and environmental services	-	-	-	4,598
Recreation and community services	-	-	-	-
Capital outlay	-	6,800	-	91,904
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	2,436,288	66,841	97,580
Excess (Deficiency) of Revenues over Expenditures	1,224,578	(616,270)	(66,386)	435,589
OTHER FINANCING SOURCES (USES)				
Transfers in	-	616,269	-	-
Transfers out	(1,428,130)	-	-	-
Total Other Financing Sources (Uses)	(1,428,130)	616,269	-	-
Net Change in Fund Balances	(203,552)	(1)	(66,386)	435,589
Fund Balances Beginning	1,017,779	(1,064,978)	114,829	811,613
Prior Period Adjustments - Cash Allocations	686,209	950,068	8,699	106,273
Fund Balances Beginning, as Adjusted	1,703,988	(114,910)	123,528	917,886
Fund Balances Ending	\$ 1,500,436	\$ (114,911)	\$ 57,142	\$ 1,353,475

Cont'd

City of Albany
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Alameda County Measure B Bike & Ped. Fund	MTC Paratransit Taxi Fund	Alameda County VRF Fund	Gas Tax Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Intergovernmental revenues	67,009	36,998	77,574	372,252
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	67,009	36,998	77,574	372,252
EXPENDITURES				
Current:				
General Government	-	-	1,294	-
Police	-	-	-	-
Fire and emergency medical services	-	-	-	-
Community development and environmental services	4,598	-	-	314,056
Recreation and community services	-	57,330	-	-
Capital outlay	-	-	35,571	54,366
Debt service				
Principal	-	-	-	20,962
Interest and fiscal charges	-	-	-	1,460
Total Expenditures	4,598	57,330	36,865	390,844
Excess (Deficiency) of Revenues over Expenditures	62,411	(20,332)	40,709	(18,592)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	62,411	(20,332)	40,709	(18,592)
Fund Balances Beginning	81,273	11,708	137,115	499,228
Prior Period Adjustments - Cash Allocations	8,336	(14,680)	14,413	125,380
Fund Balances Beginning, as Adjusted	89,609	(2,972)	151,528	624,608
Fund Balances Ending	\$ 152,020	\$ (23,304)	\$ 192,237	\$ 606,016

Cont'd

City of Albany

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Traffic Congestion Relief Fund	TDA Transportation Development Act Fund	Safe Routes to School Fund	State Active Transportation Grant Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Intergovernmental revenues	95,000	436,727	96,281	98,529
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	95,000	436,727	96,281	98,529
EXPENDITURES				
Current:				
General Government	-	1,078	-	-
Police	-	-	-	-
Fire and emergency medical services	-	-	-	-
Community development and environmental services	-	-	-	-
Recreation and community services	-	-	-	-
Capital outlay	-	-	-	217,372
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	1,078	-	217,372
Excess (Deficiency) of Revenues over Expenditures	95,000	435,649	96,281	(118,843)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,585	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	10,585	-	-	-
Net Change in Fund Balances	105,585	435,649	96,281	(118,843)
Fund Balances Beginning	(95,000)	(63,373)	(7,388)	(1)
Prior Period Adjustments - Cash Allocations	(10,585)	(10,214)	(856)	-
Fund Balances Beginning, as Adjusted	(105,585)	(73,587)	(8,244)	(1)
Fund Balances Ending	\$ -	\$ 362,062	\$ 88,037	\$ (118,844)

Cont'd

City of Albany

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Measure BB Local Streets and Roads Fund	Measure BB Bike and Pedestrian Fund	Measure BB Paratransit Fund	Measure B Competitive Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Intergovernmental revenues	500,497	54,576	38,128	491,084
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	500,497	54,576	38,128	491,084
EXPENDITURES				
Current:				
General Government	647	-	-	-
Police	-	-	-	-
Fire and emergency medical services	-	-	-	-
Community development and environmental services	-	-	-	-
Recreation and community services	-	-	24,257	-
Capital outlay	550	-	-	280
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,197	-	24,257	280
Excess (Deficiency) of Revenues over Expenditures	499,300	54,576	13,871	490,804
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	499,300	54,576	13,871	490,804
Fund Balances Beginning	1,061,202	66,796	41,639	(700,292)
Prior Period Adjustments - Cash Allocations	115,721	6,839	3,724	179,735
Fund Balances Beginning, as Adjusted	1,176,923	73,635	45,363	(520,557)
Fund Balances Ending	\$ 1,676,223	\$ 128,211	\$ 59,234	\$ (29,753)

Cont'd

City of Albany

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2019

	L&LAD 1996-1 Open Space Fund	L&LAD 1996-1 Recreational Playfields Fund	L&LAD 1996-1 Creek Restoration Fund	Lighting and Landscape 1998-1 Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 539,418
Investment earnings	24,284	12,142	12,142	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	24,284	12,142	12,142	539,418
EXPENDITURES				
Current:				
General Government	-	-	-	8,900
Police	-	-	-	-
Fire and emergency medical services	-	-	-	-
Community development and environmental services	52,019	-	27,900	572,881
Recreation and community services	-	-	-	-
Capital outlay	-	-	-	19,731
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	52,019	-	27,900	601,512
Excess (Deficiency) of Revenues over Expenditures	(27,735)	12,142	(15,758)	(62,094)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(27,735)	12,142	(15,758)	(62,094)
Fund Balances Beginning	63,757	(31,857)	177,246	207,316
Prior Period Adjustments - Cash Allocations	129,683	57,827	82,582	(51,601)
Fund Balances Beginning, as Adjusted	193,440	25,970	259,828	155,715
Fund Balances Ending	\$ 165,705	\$ 38,112	\$ 244,070	\$ 93,621

Cont'd

City of Albany

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Sidewalk Parcel Tax Fund	Parks Open Space Fund	Library Operations Fund	Measure WW Extended EBRPD Bond Fund
REVENUES				
Property taxes	\$ 205,070	\$ -	\$ 764,403	\$ -
Investment earnings	-	-	-	-
Intergovernmental revenues	-	-	39,750	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	205,070	-	804,153	-
EXPENDITURES				
Current:				
General Government	3,630	3,203	-	-
Police	-	-	-	-
Fire and emergency medical services	-	-	-	-
Community development and environmental services	4,078	-	-	-
Recreation and community services	-	-	788,147	-
Capital outlay	1,183	-	-	90,104
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	8,891	3,203	788,147	90,104
Excess (Deficiency) of Revenues over Expenditures	196,179	(3,203)	16,006	(90,104)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	73,571
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	73,571
Net Change in Fund Balances	196,179	(3,203)	16,006	(16,533)
Fund Balances Beginning	188,895	-	295,296	(123,302)
Prior Period Adjustments - Cash Allocations	22,411	-	16,461	123,302
Fund Balances Beginning, as Adjusted	211,306	-	311,757	-
Fund Balances Ending	\$ 407,485	\$ (3,203)	\$ 327,763	\$ (16,533)

Cont'd

City of Albany
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	CDBG Fund	Law Enforcement Grants Fund	Fire Grant Fund	Operating Grants Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Intergovernmental revenues	114,555	148,747	-	10,041
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	114,555	148,747	-	10,041
EXPENDITURES				
Current:				
General Government	42,000	-	-	-
Police	-	-	-	-
Fire and emergency medical services	-	-	-	-
Community development and environmental services	-	-	-	23,311
Recreation and community services	-	-	-	-
Capital outlay	17,874	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	59,874	-	-	23,311
Excess (Deficiency) of Revenues over Expenditures	54,681	148,747	-	(13,270)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	8,278
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	8,278
Net Change in Fund Balances	54,681	148,747	-	(4,992)
Fund Balances Beginning	(134,141)	462,823	12	3,656
Prior Period Adjustments - Cash Allocations	(11,378)	53,561	-	1,336
Fund Balances Beginning, as Adjusted	(145,519)	516,384	12	4,992
Fund Balances Ending	\$ (90,838)	\$ 665,131	\$ 12	\$ -

Cont'd

City of Albany

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Storm Drain Fund	Waste Management Fund	Waterfront Fund	SB1 Fund	Total Special Revenue Nonmajor Governmental Funds
REVENUES					
Property taxes	\$ 304,996	\$ -	\$ -	\$ -	\$ 3,888,554
Investment earnings	-	-	-	-	48,568
Intergovernmental revenues	-	79,574	-	327,285	3,617,776
Charges for services	153,880	-	-	-	1,123,809
Other revenues	-	-	-	-	455
Total Revenues	458,876	79,574	-	327,285	8,679,162
EXPENDITURES					
Current:					
General Government	-	-	-	-	61,830
Police	-	-	-	-	66,841
Fire and emergency medical services	-	-	-	-	2,429,488
Community development and environmental services	345,821	52,151	-	-	1,401,413
Recreation and community services	-	-	-	-	869,734
Capital outlay	-	40,688	-	417,827	994,250
Debt service					
Principal	38,200	-	-	-	59,162
Interest and fiscal charges	77,478	-	-	-	78,938
Total Expenditures	461,499	92,839	-	417,827	5,961,656
Excess (Deficiency) of Revenues over Expenditures	(2,623)	(13,265)	-	(90,542)	2,717,506
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	708,703
Transfers out	-	-	-	-	(1,428,130)
Total Other Financing Sources (Uses)	-	-	-	-	(719,427)
Net Change in Fund Balances	(2,623)	(13,265)	-	(90,542)	1,998,079
Fund Balances Beginning	880,254	118,405	3,046	49,146	4,072,702
Prior Period Adjustments - Cash Allocations	63,634	14,577	352	5,689	2,677,498
Fund Balances Beginning, as Adjusted	943,888	132,982	3,398	54,835	6,750,200
Fund Balances Ending	\$ 941,265	\$ 119,717	\$ 3,398	\$ (35,707)	\$ 8,748,279

Concluded

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

Major Planning Reserve is used to account for activities related to broad based economic development and land use.

Public Arts Fund is used to account for a fee of 1.75% of construction cost assessed on certain building permits, as an in-lieu fee in place of the inclusion of a public art feature in new public construction. The use of fees collected is restricted to the promotion of public art.

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

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

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

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

Fire Operations Equipment Reserve Fund is used to accumulate resources for replacement of fire operations equipment.

Information Systems Fund is used to account for activities related to information systems.

Equipment Replacement Reserve Fund is used to accumulate resources for replacement of equipment not provided in other capital projects funds.

Community Development Equipment Reserve Fund is used to accumulate resources to be used for replacement of public works and park equipment.

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

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

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City of Albany
Combining Balance Sheet
Capital Projects Nonmajor Governmental Funds
June 30, 2019

	R & CS Reserve Fund	Major Planning Fund	Public Arts Fee Fund	City Capital Projects Fund
ASSETS				
Cash and investments	\$ 844,045	\$ 173,062	\$ 142,352	\$ -
Total assets	\$ 844,045	\$ 173,062	\$ 142,352	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 19,606	\$ -	\$ -	\$ 68,543
Payroll related liabilities	-	-	-	-
Total liabilities	19,606	-	-	68,543
Fund Balances:				
Restricted:				
Recreation playfields, open space and creek restoration	-	-	-	-
Public art promotion	-	-	142,352	-
Community capital improvements	-	-	-	-
Assigned:				
Community Center maintenance and equipment	824,439	-	-	-
Economic development and land use	-	173,062	-	-
Police vehicles and equipment	-	-	-	-
Fire engines and equipment	-	-	-	-
Emergency medical services equipment	-	-	-	-
Fire operations equipment	-	-	-	-
General equipment replacement	-	-	-	-
Public works and park equipment	-	-	-	-
Unassigned	-	-	-	(68,543)
Total fund balances	824,439	173,062	142,352	(68,543)
Total liabilities and fund balances	\$ 844,045	\$ 173,062	\$ 142,352	\$ -

Cont'd

City of Albany
Combining Balance Sheet
Capital Projects Nonmajor Governmental Funds
June 30, 2019

	Police Equipment Fund	Fire Equipment Fund	EMS Equipment Fund	Fire Operations Equipment Fund	Information Systems Fund
ASSETS					
Cash and investments	\$ 442,342	\$ 279,940	\$ 192,025	\$ 88,555	\$ -
Total assets	\$ 442,342	\$ 279,940	\$ 192,025	\$ 88,555	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll related liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Restricted:					
Recreation playfields, open space and creek restoration	-	-	-	-	-
Public art promotion	-	-	-	-	-
Community capital improvements	-	-	-	-	-
Assigned:					
Community Center maintenance and equipment	-	-	-	-	-
Economic development and land use	-	-	-	-	-
Police vehicles and equipment	442,342	-	-	-	-
Fire engines and equipment	-	279,940	-	-	-
Emergency medical services equipment	-	-	192,025	-	-
Fire operations equipment	-	-	-	88,555	-
General equipment replacement	-	-	-	-	-
Public works and park equipment	-	-	-	-	-
Unassigned					
	-	-	-	-	-
Total fund balances	442,342	279,940	192,025	88,555	-
Total liabilities and fund balances	\$ 442,342	\$ 279,940	\$ 192,025	\$ 88,555	\$ -

Cont'd

City of Albany
Combining Balance Sheet
Capital Projects Nonmajor Governmental Funds
June 30, 2019

	Equipment Replacement Reserve Fund	Community Development Equipment Reserve Fund	1996-1 Assessment Bond Fund	Capital Facilities Developer Fee Fund	Total Capital Projects Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 365,782	\$ 61,443	\$ 2,432,528	\$ 201,898	\$ 5,223,972
Total assets	\$ 365,782	\$ 61,443	\$ 2,432,528	\$ 201,898	\$ 5,223,972
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 11,740	\$ -	\$ 99,889
Payroll related liabilities	-	-	877	-	877
Total liabilities	-	-	12,617	-	100,766
Fund Balances:					
Restricted:					
Recreation playfields, open space and creek restoration	-	-	2,419,911	-	2,419,911
Public art promotion	-	-	-	-	142,352
Community capital improvements	-	-	-	201,898	201,898
Assigned:					
Community Center maintenance and equipment	-	-	-	-	824,439
Economic development and land use	-	-	-	-	173,062
Police vehicles and equipment	-	-	-	-	442,342
Fire engines and equipment	-	-	-	-	279,940
Emergency medical services equipment	-	-	-	-	192,025
Fire operations equipment	-	-	-	-	88,555
General equipment replacement	365,782	-	-	-	365,782
Public works and park equipment	-	61,443	-	-	61,443
Unassigned	-	-	-	-	(68,543)
Total fund balances	365,782	61,443	2,419,911	201,898	5,123,206
Total liabilities and fund balances	\$ 365,782	\$ 61,443	\$ 2,432,528	\$ 201,898	\$ 5,223,972

Concluded

City of Albany
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances
Capital Projects Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	R & CS Reserve Fund	Major Planning Fund	Public Arts Fee Fund	City Capital Projects Fund
REVENUES				
Charges for services	\$ 159,244	\$ 5,760	\$ -	\$ -
Rents and concessions	6,000	-	-	-
Other revenues	-	-	48,125	898,013
Total Revenues	165,244	5,760	48,125	898,013
EXPENDITURES				
Current:				
Community development and environmental services	1,842	-	-	-
Recreation and community services	74,898	-	-	-
Capital outlay	13,693	-	8,000	622,450
Total Expenditures	90,433	-	8,000	622,450
Excess (Deficiency) of Revenues over Expenditures	74,811	5,760	40,125	275,563
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	93,736
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	93,736
Net Change in Fund Balances	74,811	5,760	40,125	369,299
Fund Balances Beginning	671,674	149,948	8,843	(2,478,730)
Prior Period Adjustments - Cash Allocations	77,954	17,354	93,384	2,040,888
Fund Balances Beginning, as Adjusted	749,628	167,302	102,227	(437,842)
Fund Balances Ending	\$ 824,439	\$ 173,062	\$ 142,352	\$ (68,543)

Cont'd

City of Albany

Combining Statement of Revenues,

Expenditures, and Changes in Fund Balances

Capital Projects Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	Police Equipment Fund	Fire Equipment Fund	EMS Equipment Fund	Fire Operations Equipment Fund	Information Systems Fund
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Rents and concessions	-	-	-	-	-
Other revenues	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Current:					
Community development and environmental services	-	-	-	-	-
Recreation and community services	-	-	-	-	-
Capital outlay	-	-	-	-	1,915
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,915</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,915)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	45,600	35,000	33,500	35,000	1,915
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>45,600</u>	<u>35,000</u>	<u>33,500</u>	<u>35,000</u>	<u>1,915</u>
Net Change in Fund Balances	<u>45,600</u>	<u>35,000</u>	<u>33,500</u>	<u>35,000</u>	<u>-</u>
Fund Balances Beginning	355,591	219,535	142,083	48,000	(103,635)
Prior Period Adjustments - Cash Allocations	41,151	25,405	16,442	5,555	103,635
Fund Balances Beginning, as Adjusted	<u>396,742</u>	<u>244,940</u>	<u>158,525</u>	<u>53,555</u>	<u>-</u>
Fund Balances Ending	<u>\$ 442,342</u>	<u>\$ 279,940</u>	<u>\$ 192,025</u>	<u>\$ 88,555</u>	<u>\$ -</u>

Cont'd

City of Albany

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Capital Projects Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Equipment Replacement Reserve Fund	Community Development Equipment Reserve Fund	1996-1 Assessment Bond Fund	Capital Facilities Developer Fee Fund	Total Capital Projects Nonmajor Governmental Funds
REVENUES					
Charges for services	\$ -	\$ 12,978	\$ -	\$ 23,693	\$ 201,675
Rents and concessions	-	-	-	-	6,000
Other revenues	-	-	-	753	946,891
Total Revenues	-	12,978	-	24,446	1,154,566
EXPENDITURES					
Current:					
Community development and environmental services	-	-	-	-	1,842
Recreation and community services	-	-	-	-	74,898
Capital outlay	34,010	-	166,351	-	846,419
Total Expenditures	34,010	-	166,351	-	923,159
Excess (Deficiency) of Revenues over Expenditures	(34,010)	12,978	(166,351)	24,446	231,407
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	244,751
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	244,751
Net Change in Fund Balances	(34,010)	12,978	(166,351)	24,446	476,158
Fund Balances Beginning	358,325	43,438	2,490,815	159,048	2,064,935
Prior Period Adjustments - Cash Allocations	41,467	5,027	95,447	18,404	2,582,113
Fund Balances Beginning, as Adjusted	399,792	48,465	2,586,262	177,452	4,647,048
Fund Balances Ending	\$ 365,782	\$ 61,443	\$ 2,419,911	\$ 201,898	\$ 5,123,206

Concluded

NONMAJOR DEBT SERVICE FUNDS

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

2009 Street & Storm Drain Parcel Tax Debt Service accounts for accumulation of resources for the payments of parcel tax note payable principal and interest of the 2006 Election parcel tax, Series 2009.

2016 G.O. Refunding Bonds accounts for accumulation of resources for the payments of general obligation bond principal and interest of the 2016 General Obligation Refunding Bonds.

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City of Albany
Combining Balance Sheet
Debt Service Nonmajor Governmental Funds
June 30, 2019

	2009 St. Paving & Storm Drain Debt Service Fund	2016 G. O. Refunding Bond Debt Service Fund	Total Debt Service Nonmajor Governmental Funds
ASSETS			
Debt service reserves held with trustee	\$ 358,741	\$ 2,000	\$ 360,741
Total assets	<u>\$ 358,741</u>	<u>\$ 2,000</u>	<u>\$ 360,741</u>
FUND BALANCES			
Restricted for debt service	\$ 358,741	\$ 2,000	\$ 360,741
Total fund balances	<u>\$ 358,741</u>	<u>\$ 2,000</u>	<u>\$ 360,741</u>

City of Albany
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	City Debt Service Fund	Assessment District 1193-1 Redemption Fund	Total Debt Service Nonmajor Governmental Funds
REVENUES			
Property taxes	\$ -	\$ 1,085,946	\$ 1,085,946
Investment earnings	7,471	-	7,471
Total Revenues	<u>7,471</u>	<u>1,085,946</u>	<u>1,093,417</u>
EXPENDITURES			
Debt service			
Principal retirement	337,629	515,000	852,629
Interest and fiscal charges	54,205	468,646	522,851
Total Expenditures	<u>391,834</u>	<u>983,646</u>	<u>1,375,480</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(384,363)</u>	<u>102,300</u>	<u>(282,063)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	391,834	-	391,834
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>391,834</u>	<u>-</u>	<u>391,834</u>
Net Change in Fund Balances	<u>7,471</u>	<u>102,300</u>	<u>109,771</u>
Fund Balances Beginning	391,834	853,095	1,244,929
Prior Period Adjustments - Cash Allocations	(40,564)	(953,395)	(993,959)
Fund Balances Beginning, as Adjusted	<u>351,270</u>	<u>(100,300)</u>	<u>250,970</u>
Fund Balances Ending	<u>\$ 358,741</u>	<u>\$ 2,000</u>	<u>\$ 360,741</u>

INTERNAL SERVICE FUNDS

Internal Service Funds account for resources utilized to pay compensated absences, workers' compensation and general liability obligations and claims. The City has the following internal service funds:

Insurance Reserve Fund accounts for resources utilized to pay workers' compensation and general liability obligations and claims

Compensated Absences Reserve Fund accounts resources utilized to pay compensated absences obligations.

City of Albany
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Insurance Reserve Fund	Compensated Absences Fund	Total Governmental Activities - Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$ 2,547,043	\$ 1,233,253	\$ 3,780,296
Total assets	<u>\$ 2,547,043</u>	<u>\$ 1,233,253</u>	<u>\$ 3,780,296</u>
LIABILITIES			
Current liabilities:			
Claims payable	\$ 348,000	\$ -	\$ 348,000
Compensated absences	-	378,696	378,696
Total current liabilities	<u>348,000</u>	<u>378,696</u>	<u>726,696</u>
Noncurrent liabilities:			
Claims payable	928,000	-	928,000
Compensated absences	-	1,136,087	1,136,087
Total noncurrent liabilities	<u>928,000</u>	<u>1,136,087</u>	<u>2,064,087</u>
Total liabilities	<u>\$ 1,276,000</u>	<u>\$ 1,514,783</u>	<u>\$ 2,790,783</u>
NET POSITION			
Unrestricted	\$ 1,271,043	\$ (281,530)	\$ 989,513
Total net position	<u>\$ 1,271,043</u>	<u>\$ (281,530)</u>	<u>\$ 989,513</u>

City of Albany
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	Insurance Reserve Fund	Compensated Absences Fund	Total Governmental Activities - Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
Other	1,000	-	1,000
Total operating revenues	1,000	-	1,000
OPERATING EXPENSES			
Insurance claims	454,874	-	454,874
Personnel services	-	216,920	216,920
Total operating expenses	454,874	216,920	671,794
Operating income (loss)	(453,874)	(216,920)	(670,794)
NONOPERATING REVENUES(EXPENSES)			
Investment earnings	23,274	18,399	41,673
Total nonoperating revenues(expenses)	23,274	18,399	41,673
Change in net position	(430,600)	(198,521)	(629,121)
Total net position - beginning	1,437,713	(83,009)	1,354,704
Prior period adjustments - cash allocations	263,930	-	263,930
Total net position - beginning, as adjusted	1,701,643	(83,009)	1,618,634
Total net position - ending	\$ 1,271,043	\$ (281,530)	\$ 989,513

City of Albany
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	Insurance Reserve Fund	Compensated Absences Fund	Total Governmental Activities - Internal Service Funds
Cash flows from operating activities:			
Receipts from insurance refunds	\$ 1,000	\$ -	\$ 1,000
Payments for insurance claims	(226,572)	-	(226,572)
Net cash provided (used) by operating activities	<u>(225,572)</u>	<u>-</u>	<u>(225,572)</u>
Cash flows from investing activities:			
Investment income received	23,274	18,399	41,673
Net cash provided (used) by investing activities	<u>23,274</u>	<u>18,399</u>	<u>41,673</u>
Net increase (decrease) in cash and cash equivalents	(202,298)	18,399	(183,899)
Cash and cash equivalents - beginning	2,485,411	1,214,854	3,700,265
Adjustments to beginning cash	263,930	-	263,930
Cash and cash equivalents - ending	<u>\$ 2,547,043</u>	<u>\$ 1,233,253</u>	<u>\$ 3,780,296</u>
Reconciliation of operating income to net cash provided (used)			
by operating activities:			
Operating income (loss)	\$ (453,874)	\$ (216,920)	\$ (670,794)
Adjustments to reconcile operating income (loss)			
to net cash provided (used) by operating activities:			
Change in operating assets and liabilities:			
Claims payable	228,302	-	228,302
Compensated absences	-	216,920	216,920
Net cash provided (used) by operating activities	<u>\$ (225,572)</u>	<u>\$ -</u>	<u>\$ (225,572)</u>

AGENCY FUNDS

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

Codornices Trail accounts for funds held for third parties, to be used to provide maintenance for Codornices Creek.

Bond and Trust Fund accounts for security or performance bond deposits on projects that encroach upon the City facilities right of ways.

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

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City of Albany
Combining Balance Sheet
Agency Funds
June 30, 2019

	Codornices Creek Trail	1996-1 Assessment District Bond	Total Agency Funds
ASSETS			
Cash and investments	\$ 400,015	\$ 506,465	\$ 906,480
Debt service reserve with trustee	-	493,565	493,565
Total assets	\$ 400,015	\$ 1,000,030	\$ 1,400,045
LIABILITIES			
Deposits payable	\$ 400,015	\$ -	\$ 400,015
Due to bondholders	-	1,000,030	1,000,030
Total liabilities	\$ 400,015	\$ 1,000,030	\$ 1,400,045

City of Albany
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Codornices Creek Trail				
ASSETS				
Cash and investments	\$ 40,494	\$ 454,499	\$ 94,978	\$ 400,015
Total assets	<u>\$ 40,494</u>	<u>\$ 454,499</u>	<u>\$ 94,978</u>	<u>\$ 400,015</u>
LIABILITIES				
Deposits payable	\$ 40,494	\$ 454,499	94,978	\$ 400,015
Total liabilities	<u>\$ 40,494</u>	<u>\$ 454,499</u>	<u>\$ 94,978</u>	<u>\$ 400,015</u>
1996-1 Assessment District Bond				
ASSETS				
Cash and investments	\$ 455,306	\$ 530,117	\$ 478,958	\$ 506,465
Debt service reserve with trustee	479,824	13,741	-	493,565
Total assets	<u>\$ 935,130</u>	<u>\$ 543,858</u>	<u>\$ 478,958</u>	<u>\$ 1,000,030</u>
LIABILITIES				
Due to bondholders	\$ 935,130	\$ 543,858	\$ 478,958	\$ 1,000,030
Total liabilities	<u>\$ 935,130</u>	<u>\$ 543,858</u>	<u>\$ 478,958</u>	<u>\$ 1,000,030</u>
Totals				
ASSETS				
Cash and investments	\$ 495,800	\$ 984,616	\$ 573,936	\$ 906,480
Debt service reserve with trustee	479,824	13,741	-	493,565
Due from other agencies	-	-	-	-
Total assets	<u>\$ 975,624</u>	<u>\$ 998,357</u>	<u>\$ 573,936</u>	<u>\$ 1,400,045</u>
LIABILITIES				
Deposits payable	\$ 40,494	\$ 454,499	\$ 94,978	\$ 400,015
Due to bondholders	935,130	543,858	478,958	1,000,030
Total liabilities	<u>\$ 975,624</u>	<u>\$ 998,357</u>	<u>\$ 573,936</u>	<u>\$ 1,400,045</u>



OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors
City of Albany

We have audited, 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, the financial statements of the of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Albany (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2019-001, 2019-004 and 2019-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2019-002, 2019-003 and 2019-005 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

March 30, 2020
San Jose, California



SCHEDULE OF FINDINGS AND RESPONSES

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Finding 2019-001: Capital Assets and Related Debt – Repeat Finding from FY 18 (Material Weakness)

Criteria: Generally accepted accounting principles (GAAP) requires the City to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions. A good internal control reporting system over capital assets requires the maintenance of detail records of all its capital assets to be able to support amounts reported on the financial statements and to ensure safeguarding of assets.

Condition: During the audit of the City's capital assets, we noted deficiencies in the City's capital assets listings as it relates to additions, deletions, completion of projects (construction in progress) and accumulated depreciation. We also noted the City had not recently performed a physical inventory of its capital assets for valuation and existence. Additionally, we found formula errors that had an immaterial impact on cost subtotals and depreciation calculations in the workbooks provided. Finally, we discovered that a \$6.2 million lease purchase agreement from 2017-18 was not correctly reported as a capital asset and the corresponding long-term liability had not been reported.

Context: Controls should be in place to ensure that capital assets, net of depreciation, and related debt are not materially misstated in the City's financial statements.

Effect: Material audit adjustments were required to accurately report the City's capital assets and long-term debt as of June 30, 2019.

Cause: The City had recently changed to a new accounting system and had several changes in key personnel. Additionally, the City did not have comprehensive written policies and procedures for tracking, accounting and reconciling its capital assets.

Recommendation: We recommend the City ensure that internal control procedures are followed throughout the year to adequately track additions, deletions, completion of projects, and accumulated depreciation in the City's capital asset program. We recommend that the City perform a physical inventory and valuation of all capital assets, prepare updated written policies and procedures over capital assets, and review capital expenditures and sale/disposal authorizations to determine accurate capital asset records and account for any related debt.

Corrective Action Plan: Management agrees with the auditor's recommendations and will implement them. As of the date of this report, Finance staff has updated the capital asset listing with the help of other departments. In late summer to early fall of fiscal year 2019-20, Finance staff, along with Public Works staff, will undergo implementation and training sessions with the software company to allow for optimal use of the ERP system's fixed asset module which will allow the Finance Department to track asset procurement and disposal in real time. In addition, new procedures have been developed and monitoring of capital assets has been added as a job duty to the Financial Analyst job description. Also, the City has engaged a consultant to work with City staff to perform a full inventory and valuation of the City's capital assets.

Finding 2019-002: Financial Reporting and Closing – Repeat Finding from FY 18 (Significant Deficiency)

Criteria: Management is responsible for the fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). In addition, having an effective internal control system over

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financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition: During our audit, we noted management did not have routine and periodic procedures in place for closing City financial records on a monthly or an annual basis.

Context: Not having written, routine and standardized closing processes increases the risk of material misstatement in the financial statements.

Effect: The city was required to hire an outside accounting firm to help reconcile and close the annual financial statements.

Cause: When the City transitioned to Munis, the rollover from the old accounting system included balances that were not properly cleared. Also, during the year, the City had several changes in key personnel who needed training with the new Munis accounting system being implemented.

Recommendation: We recommend that the City update its risk assessment process and business continuity planning to identify potential unusual circumstances that would result in significant delays in financial closing and reporting, and develop policies and procedures to prevent or mitigate the effects of these circumstances when they occur. The City should provide cross training of finance staff to ensure continuity during the financial reporting process and audit in case the City experiences turnover in key finance positions. The City should also develop and implement formal written policies related to closing the City's financial statements monthly and annually.

Corrective Action Plan: The City agrees with the auditor's recommendations. The Finance Department underwent significant staffing changes, in key financial position, in fiscal year 2018-19. The City had recently hired a new permanent Finance Director who is currently working to establish recommendations made by the auditor. The City also hired a CPA consultant to help implement these recommendations. The City had also sought the assistance of representatives from the Munis accounting software to analyze and assist in correcting and clear erroneous entries in the accounting system due to the transition to the new Munis system. Account balances have since been corrected and reconciled to subsidiary ledgers as of June 30, 2019.

Finding 2019-003: Cash Reconciliations – Repeat Finding from FY 18 (Significant Deficiency)

Criteria: Management is responsible for the fair presentation of financial statements and to ensure their conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over cash and investments includes frequent and timely reconciliation of account balances to information provided by the respective financial institutions.

Condition: During the performance of our audit, we noted that bank reconciliation for the City's operating account did not agree with the City's trial balance. We also noted the City did not prepare reconciliations for its payroll and accounts payable clearing accounts.

Context: Controls should be in place to ensure that cash is not materially misstated in the City's financial statements.

Effect: There was an immaterial unreconciled difference between the reconciled book balance and the trial balance. In addition, the difference between the trial balance and the reconciled balance of the payroll and accounts payable clearing accounts appeared to immaterial as well. However, due to the significance of these accounts, there should not be any discrepancies in the bank reconciliations, or the discrepancies should have adequate explanation.

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Cause: During the period under audit, the City went through a transition phase of a new accounting system and new key personnel with significant roles in the City's financial reporting and closing process. The City was not able to perform all the bank reconciliations timely as there was a lack of cross training in place to ensure continuity of the process. The City also incorrectly setup the new financial system for cash reconciliations, which resulted in manual journal entries being prepared to correct for known variances.

Recommendation: We recommend that the City develop formal written policies over cash and investments that include the timely reconciliation of all accounts, which should include cash and investment accounts reported by fund. Book balances in the reconciliations should agree with the City's trial balance without unusual reconciling items or adjustments.

Corrective Action Plan: The City agrees with the auditor's recommendations. The Finance Department underwent significant staffing changes in fiscal year 2018-19. The City is currently in the process of making improvements and brought in additional personnel. During that time, staff focused on the priorities of learning the ERP system. The City also hired a CPA consultant to help implement these recommendations and reconcile beginning cash balances for all funds.

Finding 2019-004: Long-Term Debt (Material Weakness)

Criteria: Management is responsible for the fair presentation of financial statements and to ensure their conformity with accounting principles generally accepted in the United States of America. An effective internal control system over the monitoring and reporting of long-term debt includes frequent and timely reconciliation balances to information provided by other departments, Council meetings and long-term agreements, such as lease purchase or rental agreements.

Condition: During our review of the City's long-term debt, we noted that the City did not have adequate monitoring controls over its long-term debt. We noted that the City Treasurer was processing debt service payments that the Finance department was not aware of. We also noted the City had not made any adjustments to its general long-term debt account group to agree with their respective outstanding balances. As noted in Finding 2019-001, the City had improperly excluded a \$6.2 million lease purchase for the Public Works building in its June 30, 2018 financial statements.

Context: Controls should be in place to ensure that long-term debt is not materially misstated in the City's financial statements.

Effect: The City's long-term debt was understated by \$6.2 million and the City's long-term debt account group had not been updated to tie to the City's supporting records. However, the City's supporting workbooks did appear to accurately reflect the City's long-term debt, without material misstatement, based on the procedure performed during the audit.

Cause: There appears to have been a lack of communication between Finance and other departments. The sharing and monitoring of information from City operations is a key component to accountability and financial reporting.

Recommendation: We recommend that Finance coordinate with other departments to implement adequate monitoring controls in order to ensure accurate financial reporting. Additionally, we recommend that the City utilize its general long-term debt account group and reconcile its annual debt service payments to their respective debt agreements and repayment schedules.

Corrective Action Plan: The City agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the conditions noted.

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Finding 2019-005: Grant Tracking (Significant Deficiency)

Criteria: Management is responsible for the fair presentation of financial statements and to ensure their conformity with accounting principles generally accepted in the United States of America. The risk of reporting errors and noncompliance with grants is significantly reduced when a method of summarizing and tracking grants from third parties is correctly utilized.

Condition: During our audit, we noted the City did not have adequate monitoring controls over its grants. When inquiring about certain grants, we found that information was not readily available and grants were not aggregated in a way to facilitate tracking and monitoring.

Context: Centralized grant tracking and monitoring is crucial to ensuring compliance with provisions of law and grant agreements and contracts, as well as accurate financial reporting.

Effect: City personnel had to search, research and inquire about the location of support for grant information requested during the audit. This led to delays and the over utilization of City resources.

Cause: The City had recently changed to a new accounting system and had several changes in key personnel. Additionally, the City did not have comprehensive written policies and procedures for tracking, accounting and reconciling grants.

Recommendation: We recommend that the City assign specific personnel to monitor the City's grants. This individual should have the skills, knowledge and experience with the City's grants to adequately monitor the grant programs to ensure compliance with grant provisions and accurate financial reporting. This should be done at regular intervals during the year, not at the end of the year when it may be too late to identify and correct possible noncompliance.

Corrective Action Plan: Management agrees with the auditor's recommendations and will implement them during fiscal year 2019-20. The City has already updated its written policies and procedures to address this deficiency.

Finding 2019-006: Disbursements (Control Deficiency)

Criteria: Management is responsible for the fair presentation of financial statements and to ensure their conformity with accounting principles generally accepted in the United States of America. An effective internal control system over the monitoring and reporting of disbursements is a vital component to meeting this requirement.

Condition:

During our test of controls over the City's disbursements, we noted the following exceptions:

1. One credit card transaction was over the \$1,000 limit, so the cardholder split the payment to bypass the limits.
2. Missing Receipt Forms were not signed by the department head to authorize charges with missing retail receipts for credit card and store account charges.
3. The City did not stamp invoices with the received date at department level to document proper receipt and timely payment of the invoice.

Context: Monitoring controls should be in place to ensure that departments are following policies and procedures established by management.

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Effect: City funds were spent without proper authorization and improper tracking of invoice payments increased the risk of duplicate payment.

Cause: The City had recently changed to a new accounting system and had several changes in key personnel.

Recommendation: We recommend that management reiterate the City's credit card use policy with all cardholders and department heads to ensure that credit card limits are enforced, and proof of purchase are properly documented. Also, we recommend that invoices are stamped received when the mail is opened.

Corrective Action Plan: The City agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2018-19 to address the causes of the condition(s) noted.

Finding 2019-007: Cash Receipts (Control Deficiency)

Criteria: Management is responsible for the fair presentation of financial statements and to ensure their conformity with accounting principles generally accepted in the United States of America. An effective internal control system over the monitoring and reporting of cash receipts is a vital component to meeting this requirement.

Condition:

During our test of controls over the City's cash receipts, we noted the following exceptions:

1. Daily Cash Count Reports were not signed by the receiving department,
2. RecTrack Unearned Revenue reports were not reconciled to the general ledger.
3. Checks were not stamped "For Deposit Only."

Context: Monitoring controls should be in place to ensure that departments are following policies and procedures established by management.

Effect: The lack of controls as noted above increases the risk of misstatement in the financial statements and asset misappropriation.

Cause: The City had recently changed to a new accounting system and had several changes in key personnel.

Recommendation: We recommend that City implement a policy that requires daily cash count reports to be signed by the receiving department, unearned revenue reports to be reconciled to the general ledger, and checks received for deposit to be stamped "For Deposit Only".

Corrective Action Plan: Management agrees with the auditor's recommendations and will implement them. The City has already consulted with the Tyler representative to maximize the efficiency of the cash receipts module and tighten controls over the City's cash receipts processes.

Finding 2019-008: Internal Service Funds and Related Liabilities (Material Weakness)

Criteria: Management is responsible for the fair presentation of financial statements and to ensure their conformity with accounting principles generally accepted in the United States of America. An effective internal control system over the utilization of internal service funds and the proper method of accounting of the transactions within those funds is a vital component to meeting this requirement.

Condition: It appears the City has not fully utilized the self-insurance internal service funds in the past few fiscal years. In addition, the City had not reviewed and updated its insurance claims, compensated absences and related liabilities in these funds.

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Context: Through resolution, the City had established an internal service fund for workers' compensation and general liability insurance claims and liabilities and an internal service fund for compensated absences claims and liabilities. However, the City has been paying these claims from the general fund and the estimated liabilities in the internal service funds had not changed.

Effect: In 2018-19, the City did report the claims in the internal service funds and the liabilities were updated.

Cause: The City had recently changed to a new accounting system and had several changes in key personnel.

Recommendation: We recommend the City either close the internal service fund or utilize it as intended. In addition, we recommend management review, reconcile and update the insurance claims liability at least annually.

Corrective Action Plan: The City agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the condition(s) noted.