

**CITY OF ALBANY  
ALAMEDA COUNTY  
ALBANY, CALIFORNIA**

**POLICE AND FIRE RELIEF OR PENSION FUND**

Audited Financial Statements &  
Independent Auditor's Report  
June 30, 2020



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**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**For the Fiscal Year Ended June 30, 2020**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
City of Albany Police and Fire Relief or Pension Fund  
Albany, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Albany Police and Fire Relief or Pension Fund (the "Pension Fund") of the City of Albany (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pension Fund's 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Pension Fund of the City, as of June 30, 2020, and the related changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

As discussed in Note 2, the financial statements present only the Pension Fund and do not purport to, and do not, present fairly the financial position of the City of Albany, as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedule of changes in the net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns, 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 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2021 on our consideration of the City's internal control over financial reporting in relation to the Pension Fund 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



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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 in relation to the Pension Fund.

C & A LLP

May 10, 2021  
San Jose, California

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

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<b>Assets</b>	
Cash and equivalents	\$ 182,296
Investments, at fair value:	
Local Agency Investment Fund	17,581
Cash and money market fund	375,299
Mutual funds	<u>3,190,876</u>
Total investments, at fair value	<u>3,583,756</u>
Total Assets	<u>\$ 3,766,052</u>
 <b>Liabilities</b>	
Accounts payable	\$ 58,334
Payroll related liabilities	1,407
Due to City of Albany	<u>3,299</u>
Total Liabilities	<u>63,040</u>
 <b>Net Position</b>	
Restricted for pension benefits	<u>3,703,012</u>
Total Net Position	<u>3,703,012</u>
Total Liabilities and Net Position	<u>\$ 3,766,052</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2020**

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**Additions**

Contributions:

Employer contributions \$ 218,723

Investment income:

Net change in fair value of investments (342,507)

Interest and dividends 239,901

Total investment income (102,606)

Total Additions 116,117

**Deductions**

Benefit payments 1,279,094

Administrative expenses 20,921

Total Deductions 1,300,015

Net Change in Net Position (1,183,898)

**Net Position**

Beginning of year 4,886,910

End of year \$ 3,703,012

*The notes to the financial statements are an integral part of this statement.*



**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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**NOTE 1 - POLICE AND FIRE RELIEF OR PENSION FUND**

The Police and Fire Relief or Pension Fund (the “Pension Fund”), governed by Section 9.01 of the Charter of the City of Albany (“City”), is used to account for contributions and investment income that are restricted to payment of benefits accruing to police and fire department employees hired before July 1, 1971.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The financial statements present only the accounts of the Pension Fund. These accounts are also included in the financial statements of the City of Albany as a pension trust fund, which is used to account for assets held in trust for the benefit of the Pension Fund’s participants. The Pension Fund is a fiduciary fund of the City pursuant to GASB Statement No. 61.

B. Fund Accounting

The Pension Fund uses a pension trust fund to report on its fiduciary net position and the changes in its fiduciary net position. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used.

C. Basis of Accounting

The Fund is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets, deferred inflows, liabilities and deferred outflows associated with the operation of this fund are included on the statement of fiduciary net position. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in net position restricted for pensions.

Basis of accounting refers to when additions and deductions are recognized in the accounts and reported in the financial statements. The Pension Fund’s financial statements have been prepared using the accrual basis of accounting. Under accrual basis of accounting, additions are recognized when earned and deductions are recognized when incurred. Contributions are recognized as additions in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the Pension Fund and City Charter.

Investment management, asset custody and administration fees are expenses of the Pension Fund.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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D. Cash, Cash Equivalents, and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The City pools its available cash for investment 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 date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

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
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit 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 these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

E. Fair Value Measurements

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.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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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.

F. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates include the determination of the fair value of investments and the actuarial value of the plan's funded status. Contributions to the Pension Fund and the actuarial information included in the RSI are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is reasonably possible that changes in these assumptions may occur in the near term and could be material to the financial statements.

**NOTE 3 - CASH AND INVESTMENTS**

**Operating Cash**

At June 30, 2020, the Pension Fund's operating cash balance of \$182,296 was held in a financial institution. The Pension Fund's bank balance of \$173,821 was held at one institution which was fully covered by FDIC insurance.

**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.

The Pension Fund has the following recurring fair value measurements as of June 30, 2020:

	Fair Value	Fair Value Input Levels
Local Agency Investment Fund (LAIF)	\$ 17,581	n/a
Cash and bank sweep	375,299	n/a
Mutual funds:		
Bond funds	1,736,597	Level 1
Equity funds	1,454,279	Level 1
Total cash and investments	\$ 3,583,756	

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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*California Local Agency Investment Fund*

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the City to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of June 30, 2020, was approximately \$101 billion. Of that amount, 96.63% is invested in non-derivative financial products and 3.37% in structured notes and asset-backed securities. The balance in LAIF is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

As of June 30, 2020 California Local Agency Investment Fund (LAIF) of \$17,581; were invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account and are not required to be categorized using the levels above as deposits and withdrawals are made on the basis of \$1 and not 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 Pension Fund's governing board, which meets with the investment manager quarterly.

At June 30, 2020, the Pension Fund's assets were invested in the following:

- Dodge & Cox Income Fund (DODIX)
- PIMCO Investment Grade (PIGIX)
- Dodge & Cox Stock Fund (DODGX)
- Neuberger Berman Equity (NBHIX)

**CITY OF ALBANY**  
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**For the Fiscal Year Ended June 30, 2020**

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**Investment Policy**

The Pension 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:

<u>Authorized Investment Type</u>	<u>Target Allocation</u>	<u>Minimum Percentage of Portfolio</u>	<u>Maximum Percentage of Portfolio</u>
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%

As of June 30, 2020, the Pension 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, 2020 was \$342,507.

**Risk Disclosures**

Limitations as they relate to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk are described below:

*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 maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Pension Fund manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Pension Fund monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio.

*Credit Risk*

Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City’s exposure to credit risks.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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*Custodial Credit Risk – Deposits*

The custodial credit risk for an investment is the risk 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. None of the City’s investments were subject to custodial credit risk.

*Concentration of Credit Risk*

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. City investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are, therefore, exempt.

**NOTE 4 – NET PENSION LIABILITY OF THE PLAN**

**Plan Description**

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

**Benefits Provided**

A summary of the plan benefits is presented below:

*Service Retirement*

- Eligibility: Age 50 with 25 years of service, or 30 years of service regardless of age
- Amount: Percentage (based on years of service) applied to average yearly salary:

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

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

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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*Death Benefit*

Eligibility: Death after retirement

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

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

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

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

**Employees Covered**

At June 30, 2020, the following employees were covered by the benefit terms for the Plans:

Inactive plan members or beneficiaries receiving benefits	19
Total Plan Members	19

**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, 2020, the following contributions were made:

Contributions - employer	\$ 218,723
Total contributions	\$ 218,723

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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**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, 2020 using an annual actuarial valuation as of June 30, 2020. The following summarizes the changes in the net pension liability:

Total Pension Liability (TPL)	\$ 14,218,991
Fiduciary Net Position (FNP)	<u>(3,703,012)</u>
Net Pension Liability (NPL)	<u>\$ 10,515,979</u>
FNP as a percentage of TPL	26.04%

For the year ended June 30, 2020, the City recognized pension expense of \$(626,677).

At June 30, 2020, 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
Net differences between projected and actual earnings on plan investments	\$ 494,904	\$ -
Total	<u>\$ 494,904</u>	<u>\$ -</u>

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
2022	\$ 229,582
2023	106,042
2024	86,532
2025	<u>72,748</u>
Total	<u>\$ 494,904</u>



**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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**Actuarial Assumptions**

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	2.64%
Inflation	2.25%
Projected Salary Increase	3.00%
Investment Rate of Return	5.00%
Mortality	Dec. 2017 CalPERS Study

**Discount Rate**

The discount rate used to measure the total pension liability was 2.64%. 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 2039.

The discount rate was determined by blending the expected return on assets (5%) with the weighted average yield of Fidelity 20-year Municipal Bond AA Index as of June 30, 2020 (2.45%).

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%	

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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**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	1.64%
Net Pension Liability	\$ 11,740,666
Current Discount Rate	2.64%
Net Pension Liability	\$ 10,515,979
1% Increase	3.64%
Net Pension Liability	\$ 9,451,268

**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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**For the Fiscal Year Ended June 30, 2020**

Fiscal Year Ended	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Interest	\$ 595,964	\$ 542,063	\$ 563,799	\$ 556,000	\$ 689,200	\$ 667,736	\$ 774,708
Differences between expected and actual experience	611,422	-	(627,406)	-	-	1,348,531	-
Changes of assumptions	2,635,181	(1,012,401)	1,667,884	(377,454)	1,228,156	499,219	945,018
Benefit payments	(1,279,094)	(1,257,130)	(1,279,564)	(1,283,577)	(1,351,708)	(1,411,164)	(1,384,481)
Net change in total pension liability	2,563,473	(1,727,468)	324,713	(1,105,031)	565,648	1,104,322	335,245
Total pension liability - beginning	11,655,518	13,382,986	13,058,273	14,163,304	13,597,656	12,493,334	12,158,089
Total pension liability - ending	<u>\$ 14,218,991</u>	<u>\$ 11,655,518</u>	<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>
<b>Plan fiduciary net position</b>							
Employer contributions	\$ 218,723	\$ 218,723	\$ 218,723	\$ 218,723	\$ -	\$ -	\$ 82,401
Net investment income	(102,606)	242,600	442,115	800,235	(116,093)	131,946	1,287,597
Benefit payments	(1,279,094)	(1,257,130)	(1,279,564)	(1,283,577)	(1,351,708)	(1,411,164)	(1,384,481)
Other	-	284	(120,231)	-	-	-	-
Administrative expense	(20,921)	(42,623)	(101,709)	-	-	-	-
Net change in plan fiduciary net position	(1,183,898)	(838,146)	(840,666)	(264,619)	(1,467,801)	(1,279,218)	(14,483)
Plan fiduciary net position - beginning	4,886,910	5,725,056	6,565,722	6,830,341	8,298,142	9,577,360	9,591,843
Plan fiduciary net position - ending	<u>\$ 3,703,012</u>	<u>\$ 4,886,910</u>	<u>\$ 5,725,056</u>	<u>\$ 6,565,722</u>	<u>\$ 6,830,341</u>	<u>\$ 8,298,142</u>	<u>\$ 9,577,360</u>
Net pension liability	\$ 10,515,979	\$ 6,768,608	\$ 7,657,930	\$ 6,492,551	\$ 7,332,963	\$ 5,299,514	\$ 2,915,974
Plan fiduciary net position as a percentage of the total pension liability	26.04%	41.93%	42.78%	50.28%	48.23%	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; 4.54% in FY 2018; 4.25% in FY 2019 and 2.64% in FY 2020.

The inflation rate changed from 2.50% in FY 2019 to 2.25% in FY 2020.

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**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Employer Contributions and Investment Returns**  
**For the Fiscal Year Ended June 30, 2020**

<b>Fiscal Year Ended</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contributions (Actuarially Determined)	\$ 844,500	\$ 844,500	\$ 218,723	\$ 218,723	\$ 218,731	\$ 82,401	\$ 82,401
Contributions in Relation to Actuarially Determined Contributions	(218,723)	(218,723)	(218,723)	(218,723)	-	-	(82,401)
<b>Contribution Deficiency (Excess)</b>	<b>\$ 625,777</b>	<b>\$ 625,777</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 218,731</b>	<b>\$ 82,401</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Investment Returns</b>							
Annual Money-Weighted Rate of Return, Net of Investment Expenses	-2.36%	4.67%	5.15%	14.32%	-1.35%	2.22%	15.57%

**Notes to Schedule:**

Valuation Date: June 30, 2020  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll (Closed) Used Amortization Method  
Discount Rate 2.64%  
Cost of Living Increase 3%  
Inflation Assumed at 2.25%  
Investment Rate of Returns set at 5%  
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 seven years are shown.

**OTHER INDEPENDENT AUDITOR'S  
REPORTS**



**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 Trustees of the  
City of Albany Police and Fire Relief or Pension Fund  
City of Albany, California

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 Albany Police and Fire Relief or Pension Fund (the "Pension Fund") of the City of Albany (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pension Fund's financial statements, and have issued our report thereon dated May 10, 2021.

***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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 recommendations*, we identified certain deficiencies in internal control that we consider to be significant deficiencies: see findings 2020-001 and 2020-002.



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Albany's financial statements are free from 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 questioned costs. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 10, 2021  
San Jose, California



**SCHEDULE OF FINDINGS  
AND  
RESPONSES**

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2020**

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**Finding 2020-001: Financial Reporting and Closing – Repeat Finding from FY 19 (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 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 that several accrued balances did not agree to supporting subledgers. We also noted that the City did not perform reconciliations of accounts receivable, accounts payable, and accrued wages and salaries. Subsidiary ledger reports provided for the audit did not agree to the City's trial balance. Additionally, we noted that the beginning fund balances for several funds did not agree to the prior year ending balances.

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

**Effect:** The City was not able to properly complete the closing process and analyze subledger accounts to ensure their agreement with the trial balance. The control deficiency caused the City to not be able to sufficiently determine the composition and nature of account balances in the general ledger and clear out incorrect entries. The City was also not able to substantiate the beginning fund balance reported in the financial statements, and as a result, ending balances were not properly presented.

**Cause:** During the period under audit, account balances were not reviewed to ensure they agreed to subsidiary schedules and that accruals were properly recorded. Also, journal entries were made in error to beginning fund balance accounts, and account balances were not properly reviewed to ensure their accuracy.

**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 experience turnover in key finance positions. The City should also develop and implement formal written policies over significant accounts that include the timely reconciling of accounts to activity reported in related subsidiary ledgers and beginning balances. Key personnel should be trained to recognize errors in the accounting records in order to prevent, or detect and correct them in a timely manner.

**City's Response:** The City agrees with the auditor's recommendations. In response, the City has been working to implement these recommendations with the assistance of their CPA consultant. The City has also continued to seek out the assistance of representatives from the Munis accounting software to analyze and assist in correcting and clearing any on-going erroneous entries. Account balances have since been corrected and reconciled to subsidiary ledgers.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2020**

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**Finding 2020-002: Cash and Investments – Repeat Finding from FY 19 (Significant Deficiency)**

**Criteria:** Management is responsible for the fair presentation of financial statements which includes ensuring the financial statements are issued in conformity with accounting principles generally accepted in the United States of America.

**Condition:** During the performance of our audit, we noted that bank reconciliations did not agree with the cash balances included in the City's trial balance and several funds had negative ending cash balances.

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

**Effect:** Variances between the City's trial balance and information from financial institutions were not properly accounted for, resulting in audit adjustments.

**Cause:** During the period under audit, bank reconciliations were not reviewed to ensure they agreed to cash balances reported in the City's trial balance and that cash balances for each fund were accurate.

**Recommendation:** We recommend that someone other than the person that prepared the bank reconciliation review the bank reconciliation to ensure it ties to the final trial balance. We also recommend that the City train and cross-train personnel to maintain continuity over the bank reconciliation process, and to have key individuals with the proper knowledge, skill and experience to prevent, or detect and correct misstatements on a timely basis.

**City's Response:** The City agrees with the auditor's recommendations and will ensure the final bank reconciliation is reviewed and ties to the final closed trial balance. As recommended last year, the City has developed new written policies for their cash and investments procedures, trained key personnel on Munis and how pooled cash transactions are recorded in the financial system, hired and trained other key personnel, and performed bank reconciliations on a monthly basis. Despite the improvements that the City has already made, it plans to continue working with its CPA consultant, as well as providing additional staff training, to better understand the financial system and pooled cash transactions.