

City of Albany



CAFR

JUNE 30, 2003

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF ALBANY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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City of Albany

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December 4, 2003

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Members of the City Council
City of Albany, California

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We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Albany for the fiscal year ended June 30, 2003. This report consists of management's representations concerning the finances of the City of Albany. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Albany has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse, and to compile reliable information for the preparation of the City of Albany's financial statements, in conformity with generally accepted accounting principles (GAAP).

The cost of internal controls should not outweigh their benefits; therefore, the City of Albany's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This report is composed of the following sections:

- ❖ **Introductory Section** This section includes this letter of transmittal, a directory of principal officials (as of June 30, 2003), an organization chart, a location map, and the GAFO Certificate.
- ❖ **Financial Section** This section includes the City's independent auditors' report, management's discussion and analysis, basic financial statements, and required supplementary information.
- ❖ **Statistical Section** This section provides historical perspective and trend information including population, demographics, assessed valuations, revenues, expenditures and debt. This information is presented in both tabular form and graphically, where appropriate.

Odenberg, Ullakko, Muranishi & Co. LLP, a firm of licensed certified public accountants, has audited the accompanying City of Albany's financial statements. The goal of their independent audit was to provide reasonable assurance that the financial statements of the City of Albany, for the fiscal year ended June 30, 2003, are free of material misstatement. Their independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Albany's financial statements for the fiscal year ended June 30, 2003 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

*The City of Albany is dedicated to maintaining its small town ambience, responding to the needs of the community,
and providing a safe, healthy environment now and in the future.*



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The independent audit of the financial statements of the City of Albany was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Albany's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Albany's MD&A can be found immediately following the report of the independent auditors.

AWARDS

The City of Albany's CAFR for the year ended June 30, 2002, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the tenth consecutive year that the City has received this prestigious award that is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and acceptable legal requirements.

The GFOA certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate award requirements, and we shall submit it to the GFOA for review and consideration for award.

PROFILE OF THE CITY

The City lies in the northwestern corner of Alameda County, bordered by the cities of El Cerrito and Richmond on the north and the City of Berkeley on the east and south sides. The most distinguishing geographical feature in the city is Albany Hill, which anchors the northwest corner of the city. The City was incorporated in 1908 as the City of Ocean View, but the name was changed to Albany in 1909. In 1927 the City adopted its first charter, giving the City full control over its own affairs as long as there is no conflict with state or federal laws.

The City is governed by a five member City Council who annually elects a council member to serve as Mayor. Council members serve four year staggered terms. Other elected officials are the City Treasurer and the City Attorney. A City Administrator is appointed by the Council to carryout the policies and ordinances of the Council and supervise the daily activities of City employees.

The City provides a full range of services including police and fire protection, paramedic service, maintenance of streets and sewers, recreational activities and cultural events. A public library is operated by the County of Alameda, in facilities provided by the City.

Estimated population of the City is 16,800 with half of the population under 37 years of age. About 76% of Albany residents live in family households and the average family size is 2.92 persons. The approximate ethnic composition of the population is:

- White – 61%
- Asian/Pacific Islander – 25%
- Multi-racial – 6%
- African-American – 4%
- Other – 4%

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The City of Albany maintains its financial records and prepares financial statements in accordance with generally accepted accounting principles applicable to governmental entities. The general ledger accounts of the City are organized on the basis of funds with each fund considered an individual accounting entity. The funds are categorized into three major fund types, Governmental, Proprietary and Fiduciary.

A biannual operating budget and a capital improvement program budget are adopted by the City Council prior to the beginning of the fiscal year, with budget reviews and revisions occurring within the fiscal year when necessary. The City Council may amend the budget through resolution or minute action throughout the fiscal year. In addition, the City Administrator and the Finance & Administrative Services Director may approve intrafund and interfund line-item transfers throughout the year, provided that the interfund transfer does not exceed the total initial appropriation. Operating appropriations not expended within the fiscal year are not carried over to the following fiscal year. Capital improvement program funds not expended within the fiscal year are carried forward each fiscal year until the project is completed or terminated.

Internal accounting controls that have been previously developed and implemented, as well as any new controls adopted during the year, are reviewed annually, to ensure that they provide for reasonable safeguarding of assets and reliability of financial records. To the extent feasible, the City maintains separation of duties so that no individual has access to both the City's assets and the City's accounting records. Additional accounting and administrative controls in place include dual custody check writer keys, serial numbered purchase orders, protected check stock, fund transfer restrictions, monthly bank account reconciliation, review of payroll registers, and restricted access to computer programs and files.

REPORTING ENTITY

As of June 30, 2003, four separate legal entities exist, which are controlled by or dependent upon the City of Albany. These entities are:

- ❖ ***The City of Albany Police and Fire Relief and Pension Plan*** is a separate legal trust established to provide pension benefits for eligible City employees. The Trust's governing board is comprised of the Mayor or designee, City Treasurer, City Clerk, Fire and Police representatives and appointed alternates. All accounting and administrative functions are performed by the City and the financial activities of the Trust are included in the accompanying financial statements as the Police and Fire Pension Trust Fund.
- ❖ ***The City of Albany Public Facilities Financing Authority*** was established to provide financing assistance to the City for acquiring real property and improvements for the benefit of the community. The Authority's board is comprised of the City Council, all accounting and administrative functions are performed by City staff, and the Authority is financially dependent upon the City. The financial activities of the Authority are included in the accompanying financial statements in the Public Facilities Financing Authority Debt Service Fund.
- ❖ ***The Albany Community Reinvestment Agency*** was formed to promote economic development and redevelopment within the City. The initial project area was formed in 1997 along the Cleveland Avenue/Eastshore Highway. The Agency is a component unit of the City and its financial activities have been included within the financial statements of the City.
- ❖ ***Albany Municipal Services Joint Powers Authority*** was established by the City of Albany and the Albany Community Reinvestment Agency to employ management employees of the City that are not members of an organized bargaining unit. Members of the Albany City Council serve on the governing board of the JPA, and all expenses of the JPA are reimbursed by the City of Albany.

GENERAL GOVERNMENT FUNCTIONS

The City Council and staff management have established as a citywide objective, quick and efficient response to the needs of the citizens of Albany. Local government functions are performed by the nine departments listed below:

- City Administrator
- City Clerk
- City Treasurer
- City Attorney
- Finance & Administrative Services
- Police
- Fire & Emergency Medical Services (EMS)
- Recreation & Community Services
- Community Development

The functions of each department and major accomplishments, within the last year, are described below:

City Administrator

The City Administrator advises and makes recommendations to the City Council concerning any conditions or situations that require Council direction or policy determination. It is the responsibility of the City Administrator to implement the policies of the Council. In conjunction with the Finance and Administrative Services Director, the City Administrator prepares the recommended operating and capital improvement program budgets for Council consideration and adoption.

The City Administrator serves as the Municipal Employee Relations Officer, the City's Risk Manager, and as the Executive Director of the Albany Public Facilities Financing Authority and the Albany Community Reinvestment Agency. Personnel administration, city economic development activities, franchise agreement administration, and public information programs are all under the direct supervision of the City Administrator who is assisted by three staff members.

During this last year, the City Administrator completed several of the objectives established by Council in the prior year, and coordinated the development and adoption by the City Council of new 18-month objectives. Other accomplishments included negotiation of a four-year memorandum of understanding (labor contract) with the Albany Firefighters Association, and the preparation of three tax measures, approved by Albany voters in November 2002, to fund capital improvements, emergency medical services, and general city services.

City Clerk

The City Clerk is the custodian of the official records of the City. The City Clerk prepares the agenda packet for City Council meetings, records official minutes of Council proceedings, and prepares and distributes the official documents for actions taken by the City Council. In addition, the City Clerk maintains the legislative history, certifies copies of official documents, receives and opens bid documents, publishes legal notices, administers oaths, receives claims and lawsuits against the City, and serves as the City's Elections Officer. The City Clerk is also certified as a passport agent, thus enabling residents to apply for passports at Albany City Hall. In addition, the City Clerk serves as the Deputy City Treasurer and is a member of the Police and Fire Relief and Pension Fund Board of Trustees. The City Clerk performs the above duties as a department of one person.

City Treasurer

The City Treasurer is an elected, part-time position responsible for the receipt and safe keeping of the City's financial assets. The Treasurer works closely with the Finance and Administrative Services Department, but the treasurer position is independent from that department, and as such, provides enhanced internal control through segregations of duties, such as signing checks that are prepared by the Finance and Administrative Services Department. The Treasurer is responsible for investing the City's cash reserves and any other available funds, such as bond proceeds prior to their expenditure. The Treasurer is responsible for administration and compliance enforcement of the City's business license program.

The City Treasurer also serves as a Trustee of the Police and Fire Relief and Pension Fund, oversees the investment of the Fund's assets, and is responsible for the administration of the Fund. The City Treasurer performs the above duties as a department of one person.

City Attorney

The City Attorney is an elected official whose duty is to advise the City Council and staff on all matters of general and municipal law. The City Attorney provides legal counsel on municipal legal matters, including application of the California Environmental Quality Act, planning and development legislation, conduct of public meetings, employee-employer relations, contracts, real property transactions and other matters.

Finance & Administrative Services

The Finance & Administrative Services Department has three primary areas of responsibility: (1) general accounting and financial reporting, (2) budget preparation and financial planning, and (3) communications systems development and maintenance.

General accounting and financial reporting includes accounts payable, accounts receivable, payroll, business license administration and issuance of various permits and other cashier functions. The department prepares monthly revenue and expenditure reports for internal management purposes, quarterly general fund revenue and expenditure statements for the City Council, and the City's annual comprehensive annual financial report (CAFR). The department prepares numerous reports required by the state, including the Cities Financial Transactions Report.

Budget preparation and financial planning responsibilities include preparation of the annual operating budget, the five year capital improvement program (CIP), analyses of labor contract proposals, budget oversight and control, debt issuance, and the financial component of grant administration.

The department administers the telephonic communications facilities of the City, including cellular phones and voice mail.

A major accomplishment of the department during the past year was the posting of budgets and financial statement on the City's website, and making these documents available on compact disc, at greatly reduced costs as compared to printed versions. Another major activity of the department during the past year was the implementation of the financial

accounting model for governmental entities, prescribed by the Governmental Accounting Standards Board in its Statement 34.

The staff of the Finance and Administrative Services Department consists of the Director, an Accountant and three Accounting Technicians.

Police

The Albany Police Department is responsible for the preservation of public peace, enforcement of laws, and protection of life and property. These responsibilities are accomplished through police patrol, traffic control and enforcement, criminal investigation and the ongoing dispatch and records management support functions.

The Albany Police Department provides a high level of service to the community by responding quickly to all calls for service. The department operates its own police and fire dispatch center, insuring that emergency calls (911) are answered by dispatchers who are supervised by Albany Police Department Sergeants and an Administrative Lieutenant.

The Albany Police Department focuses on crime prevention through an active community policing effort. In addition, the department has continued its successful drug and alcohol diversion program for first time youthful offenders. The Police Department sponsors the City's Police Athletic League (PAL). The Albany PAL program provides a myriad of structured year-round athletic activities as well as supervised field excursions for teenagers. Additionally, the department operates a School Resource Officer in conjunction with the Albany Unified School District.

The Police Department is staffed by the Department Chief, two Lieutenants, five Sergeants, sixteen patrol officers, two Detectives, one School Resource Officer, five Dispatchers, and various support personnel for the equivalent of thirty five full time employees. In November, 2002, the position of Police Chief was converted from an elected to an appointed position.

Fire and Emergency Medical Services

The Albany Fire and Emergency Services Department provides the community with a wide range of services, including fire suppression and rescue services, paramedic emergency medical response and ambulance transport, fire prevention services, and community education and disaster preparedness. The Fire Department is also responsible for the City's Emergency Operations Center (EOC). The EOC facility will serve as the central command and communications center in the event of a major disaster.

The Fire Department conducts fire prevention efforts through its smoke detector programs and fire sprinkler requirements. It also has responsibilities in the areas of hazardous materials management and emergency response, and storm water inspections. These responsibilities require extensive interaction with merchants, vendors and the public, with a focus on customer service.

The Department is noted for its many successful community service programs and activities such as the sale of low cost bicycle helmets, CPR courses, smoke alarm installation for residents, annual open house and pancake breakfast, and collection of Christmas toys for underprivileged children.

The Department is staffed by a Chief, Battalion Chief/Fire Marshal, and 18 line personnel of which 14 are paramedics.

Recreation and Community Services Department

The Recreation and Community Services Department provides services in the following areas:

- o Civic arts
- o Facility administration
- o Child care and summer camps
- o Recreation classes, sports classes and special events
- o Teen activities
- o Senior services
- o Volunteer Services
- o Coordination of the local access cable TV channel

The Department manages four city-owned facilities:

- o Albany Community Center
- o Senior Center
- o Memorial Park Child Care Center
- o Teen Center

Management and rental of the City's tennis courts, athletic fields and picnic areas are also the responsibility of this department.

Administrative responsibilities include staff support to the Park and Recreation Commission, the Arts Committee, Citizen's Ad Hoc Cable TV Committee, Ad Hoc Dog Committee, and the Youth Task Force. Staff is also actively involved with the Friends of Albany Seniors and the Prevention Council. The Department maintains a collaborative relationship with community groups and organizations such as the YMCA, Albany Unified School District, University Village, service groups, the Albany Chamber of Commerce and other similar entities.

Youth and Childcare Services

The Department is responsible for implementation of the Youth Master Plan. This plan was developed to create a comprehensive, integrated system to support and strengthen youth, families, and neighborhoods by providing a wide range of readily accessible activities for youth of all ages, and by creating opportunities for personal growth. The Youth Master Plan has six specific goals:

- o Community building
- o Mental and physical health services
- o Social and recreational activities
- o Educational opportunities
- o Family support services
- o Community communications.

The Recreation and Community Services Department offers a range of programs for youth. There are pre-school classes and activities, school-age programs and a vibrant teen program. The Albany Teen Center offers recreational and social activities geared toward middle-school age youth. Activities include sports, computers, counseling, enrichment classes, a music video production studio, community service projects, special events and trips, and homework assistance.

The department's childcare program provides school year licensed childcare and summer camps at the Child Care Center in Memorial Park for children in first through fifth grade. Other summer programs include a wide variety of weekly specialty activities and special excursions to meet the changing needs of community youth.

Classes, Facility Rentals and Special Events

The Recreation and Community Services Department provides over 200 special interest classes each quarter that are publicized in the Recreation and Community Services Activity Guide. The community may also rent facilities for meetings, parties and special events.

Senior Services

The City of Albany is committed to providing quality senior services and a variety of activities for its senior citizens. Activities and services include:

- Information, assistance and referrals for issues such as home assistance, in-home support, legal, health insurance and tax assistance and family counseling.
- Modestly priced dinners offered at the Albany Senior Center and the delivery of meals for homebound elderly residents.
- Classes, including World Literature, Art, Watercolor and Drawing, Country Western Line Dancing, Quilting, and Memoir Writing.
- Senior trips, transit assistance, special support and discussion groups, health screenings, bridge and other card games, and physical fitness activities.
- Free medical equipment loans.

Volunteer Services

The Recreation and Community Services Department is responsible for creating and maintaining the City Volunteer Program. This program, designed to both encourage volunteer participation and to create a cohesive system for tracking and managing volunteers. The program is managed by the Director of Recreation and the Senior Services Coordinator. Current activities of the program include creating and producing volunteer application materials, establishing a database for volunteer participation and advertising and expanding the program.

The department is staffed by a Director, 8.75 full time staff members and 15 to 30 part time and volunteer staff members, depending on the number of programs and activities in progress at any one time.

Community Development

The Community Development Department provides a broad array of services to the citizens of Albany. The department's primary responsibility is to maintain and improve the physical environment of the City. As such, the department coordinates the current development of the City with the future needs and expectations of the community.

The department is composed of three divisions, Planning and Building, Public Works, and Environmental Resources. The Planning and Building Division is responsible for reviewing and processing all plans for private development in the City, to ensure compliance with applicable zoning and building codes. Approximately 200 zoning applications are processed each year, 850 building permits issued and 30-40 building inspections are conducted each week.

The Public Works Division is responsible for the design, construction, and maintenance of all City-owned public facilities, including streets, sewers, storm drains, parks, public building and grounds. Typical Public Works activities include reviewing the design of planned park improvements, managing the renovation of City buildings, maintaining street signs and markings, engineering plan checking of proposed new private construction, cleaning and repairing sewer lines, street sweeping, collecting trash from public receptacles, mowing parks, maintaining play fields and irrigation, and many others.

Activities of the Environmental Resources Division include management of the City's tree planting program, Waterfront area, Clean Water Program, Waste Management Program, administration of various environmental grants such as oil recycling, building material recycling, and procurement of recycled products.

The City Engineer is a contract employee of the City who reports to the Director of Community Development. The City Engineer provides technical oversight for City construction projects and computes the various special assessments collected by the County Tax Collector.

Department staff provide technical and administrative support for the Planning and Zoning Commission, Traffic and Safety Commission, Waterfront Committee, and the Reinvestment Agency. Staff members also represent the City and provide technical support on a number of interagency and multi-agency ventures, including the Alameda County Department of Housing and Community Development, the Alameda County Congestion Management Agency, the Alameda County Clean Water Program, and the Alameda County Waste Management Authority.

A major activity and accomplishment this past year was the processing of plans and permits for a Target store in the redevelopment area.

The department's staff consists of a Director, Planning Manager, Public Works Manager, and 17 planners, engineers, inspectors, maintenance workers and administrative staff.

ECONOMIC CONDITIONS AND OUTLOOK

Economic activity, for the City of Albany, declined slightly, during the year ended June 30, 2003, in concert with the Bay Area and the state as a whole. The City's financial fortune for the 2003-04 fiscal year hinges on the actions of the State as it addresses its multi billion

dollar budget deficit. The City's Fiscal Year 2003-04 budgets projects vehicle license fee revenue of \$963,000, which is nearly 10% of the general fund budget. Should the State fail to fulfill its backfill commitment of \$635,000, it will be a major blow to the City, and will likely dictate service reductions each year until the funds are restored.

Sales tax collections for the fiscal year as reported by MBIA, MuniServices Company, increased 1.7% statewide, decreased 5.0% in Alameda County, while the City of Albany experienced a 5.7% decrease. Based upon first quarter results, it is likely that the City's sales tax revenue will continue to decline during the fiscal year ending June 30, 2004.

Property tax revenues have shown a steady modest increase with collections remaining between 97.5% to 98% of assessments. While the general economic slump could affect the timely collection of taxes, it is unlikely that there will be a major reduction in the percent of collections. Revenues from property transfer taxes have benefited from the continued upward movement of sales prices of homes in the city and the rate increase enacted last year. The housing market for the Bay Area has remained strong, and while sales price growth has slowed, there have not been declines. This trend is likely to continue in fiscal year 2003-04, and home sales in the City of Albany should follow the trend of the overall Bay Area.

The outlook for construction and property development in the City of Albany is best described as fair. Target Stores will commence construction of a new store in the redevelopment area in Fiscal Year 2003-04. The University of California is proceeding with development of plans for residential and commercial development in University Village. Upon completion, these developments will generate sales and property tax revenues, as well as service fees such as sewer fees and special assessments for emergency medical services, clean water programs, and the City's Landscape & Lighting Districts.

Operating expenses for the city will increase in several areas in the next two years. Salaries will increase 3% or more each year, as scheduled in collective bargaining agreements. Health care costs are increasing at double-digit rates, impacting both the city and its employees. Retirement benefits costs are also increasing to double-digit rates, as the California Public Employees Retirement System (PERS) sets new rates reflective of the unfavorable investment returns PERS has earned in the past year. Workers compensation costs have increased as a result of recent claims experience, and will continue at high rates for the foreseeable future. Liability insurance premiums have increased and are expected to remain at these levels or higher. Utilities expense is likely to increase as rates are increased to the levels necessary to pay off liabilities incurred during the energy crisis two years ago, and provide for higher costs of oil resulting from the Iraq war and other Middle East political unrest.

A summary assessment is that the City of Albany can expect modest declines in some revenue sources, to be partially offset by new sources and increased rates, and modest increases in operating expenses. The greatest threats to the fiscal stability of the City are potential actions by the State of California to resolve its budget deficit. Should the City experience significant declines in operating revenues, service reductions will be required in order to avoid operating deficits.

MAJOR INITIATIVES

Economic Development/Redevelopment

Maintenance and enhancement of Albany's economic base is necessary in order for the City government to continue to provide the high level of service the residents of Albany expect. Neighboring cities of El Cerrito, Emeryville, and San Pablo have been aggressive in seeking commercial development, and Albany must continue to pursue economic development or risk financial decline as business shifts to other cities. The City is continuing its economic development strategy designed to enhance existing businesses and to attract and cultivate new businesses. These strategies address three specific areas: Solano Avenue, San Pablo Avenue, and the Cleveland Avenue/Eastshore Highway area.

Solano Avenue, the "*Main Street*" of "*small town Albany*" continues to be a strong regional attraction, visited by thousands of shoppers, diners and strollers each year. The City has continued its support of Solano Avenue merchants with cash and in-kind contributions to the annual "Solano Stroll."

The City Council continues to support retail development of San Pablo Avenue as outlined in the Streetscape Master Plan. The plan is designed to retain and attract retail business, improve aesthetics, and make the corridor more pedestrian friendly.

The Cleveland Avenue/Eastshore Highway corridor is included in the City's Redevelopment Area. In August of 2002, a freeway connector between the Eastshore Highway and Interstate 80/580 was completed. The improved access to Eastshore Highway has made retail developments feasible, and Target Stores is scheduled to open a retail store in this area in the Fall of 2004.

Open Space, Recreational Playfields and Creek Restoration

In November 1996, the citizens of Albany approved Measure R to provide an annual parcel assessment for the acquisition, development and maintenance of Open Space, Recreational Playfields, and Creek Restoration. The proceeds are divided fifty percent (50%) for open space on Albany Hill and twenty five percent (25%) each for playfields and creek restoration.

In February 1999, the City issued a \$6.2 million limited obligation bond and pledged the revenues of this annual assessment to pay the bondholders. Utilizing the revenue from Measure R and the bond proceeds, prior to June 30, 1999 the City purchased five acres of open space on Albany Hill. The City is working with the City of Berkeley and the University of California on a project to restore Codornices Creek, and has successfully competed for grant monies to assist in this restoration effort. Creek restoration work along Cerrito Creek near Albany Hill is also being pursued. The latter project is a follow up to the joint Albany-Berkeley sewer project in the Cerrito Creek area. Creating new recreational playing fields remains a priority of the City. The City is working with the University on the replacement of the existing playing fields in University Village when the University undertakes its redevelopment project, and is working with other agencies to locate playing fields in the area of the future Eastshore State Park on the waterfront.

Negotiations are underway with CalTrans to acquire property on Pierce Street for use as a park. CalTrans has completed grading of the site in preparation for the property transfer.

Capital Projects

The following is a brief description of the City's most significant capital projects or programs.

Sewer Operations

Albany is continuing its multi-phase sewer rehabilitation program that will result in the replacement or rehabilitation of most of the City's sanitary sewer system. The purpose of the program is to comply with the Clean Water Act and federal and state mandates to reduce groundwater inflow and infiltration as well as to address and correct substandard sewer lines.

Traffic Management Plan

In May 2000, the City Council approved the Traffic Management Plan. This plan recommends a variety of improvements and programs designed to enhance pedestrian and bicycle safety, as well as traffic safety. Implementation will be a multi-year process and has begun with a number of grant submittals, funding from Alameda County's Measure B transportation funds, and development of design and implementation plans for traffic calming measures.

Landfill Closure

The City has prepared a draft closure plan proposing environmental enhancement of the two lagoon areas on the Albany Landfill (Bulb). These environmental enhancements are necessary to secure a closure permit for the landfill. Once the area is closed as a landfill, the land will transfer to the State of California. The City is seeking grant funding to implement the proposed plan.

Teen Center Remodeling

Remodeling of the Teen Center located at Ocean View Park began in the Fall of 2002 and was completed in the Spring of 2003. The project was funded by Community Development Block Grant and Waste Management - Green Building grants.

Memorial Park Improvements

The Memorial Park Improvement Subcommittee of the Parks and Recreation Commission developed a Memorial Park Improvement Plan that was approved by the City Council. The plan is divided into two phases. Phase I involves relocation of the playground, new play equipment and infrastructure improvements. The cost of Phase I is budgeted at \$932,000 and has been funded from storm drain and landscape and lighting funds, Alameda County Waste Management Authority allocations, Measure F General Obligation bonds, and City of Albany general funds. The project commenced in the Fall of 2003 and is scheduled for substantial completion by the end of 2003, with full use of all areas by Spring 2004.

PENSION

The City participates in the California Public Employees Retirement System (PERS) and maintains a City pension plan for police officers and firefighters employed by the City before July 1, 1971.

All qualified permanent and probationary employees are eligible to participate in PERS. Benefits vest after five years of service and are payable monthly for life upon retirement. PERS requires City employees to contribute between 7% and 9% of their annual salary, which is paid by the City. Benefit provisions and all other requirements are established by state statute and city ordinance. PERS and its Board of Administration determine contribution necessary to fund PERS as indicated by annual actuarial projections.

DEBT ADMINISTRATION

The City currently has general obligation bonded indebtedness of \$8 million and other long-term obligations that are comprised of the 1997 Refunding Certificates of Participation and the 1993 Sewer Revenue Bond.

In December 1997, the City refunded through Certificates of Participation (COP) the 1989 and 1992 Lease Revenue Bonds. The 1989 Lease Revenue bonds financed the purchase of the Library/Community Center site, as well as, improvements to a new maintenance center. The 1992 Lease Revenue bonds financed the construction of the Library/Community Center complex.

The 1993 Sewer Revenue Bonds financed the initial phases of a comprehensive sewer replacement program. Semi-annual interest payments are secured by and payable from the Sewer Enterprise Fund's operating revenues.

Long-term debt is discussed in greater detail in the Notes to Financial Statements.

RISK MANAGEMENT

The City of Albany is a member of the Bay Cities Joint Powers Insurance Authority (BCJPIA). This seventeen-member entity provides general liability insurance, property insurance, earthquake and automobile insurance and legal assistance.

Albany is self-insured for workers' compensation costs up to \$250,000 per occurrence, and the City maintains a dedicated reserve fund for workers' compensation claims. The Local Agency Workers' Excess Compensation (LAWXC) Joint Powers Authority covers claims in excess of \$250,000.

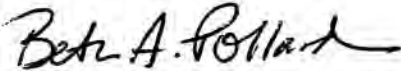
CASH MANAGEMENT

The City Treasurer manages the City of Albany's investment portfolio. Cash not required for current operations is pooled and invested in accordance with City Council policy, which adheres to the "prudent man rule" (California Civil Code §2261, et seq.). This policy affords the City considerable discretion in pursuing investment opportunities provided that the investment is prudent and safe with respect to the protection of principal and is allowable under the current laws of the State of California (Government Code §53600, et seq.). However, the City maintains a conservative investment philosophy that emphasizes liquidity and the protection of principal. Hence, the City has not invested any funds in high-risk securities, including derivatives. In fiscal year 2002-03, the City's available cash (not including debt service accounts) was invested in the Local Agency Investment Fund (LAIF), a governmental agency pooled money fund managed by the California State Treasurer.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report was accomplished through the dedicated efforts of Department of Finance and Administrative Services staff members Susan Hsieh, Billie Zedd, Julie McDonald, Stephanie Wellemeyer; and Chris Millias, Partner and Scott Miller, Manager of Odenberg, Ullakko, Muranishi & Co. LLP, Certified Public Accountants. We also wish to express our appreciation to the Albany City Council for their support in our pursuit of excellence in financial reporting.

Respectfully submitted,



Beth A. Pollard
City Administrator



Charles A. Adams
Finance and Administrative
Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Albany,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF ALBANY
PRINCIPAL OFFICERS
JUNE 30, 2003

CITY COUNCIL

Mayor
Vice Mayor
Councilmember
Councilmember
Councilmember

Jewel Okawachi
Jon Ely
Allan Maris
Peggy Thomsen
Robert Good

ELECTED OFFICIALS

Treasurer
City Attorney

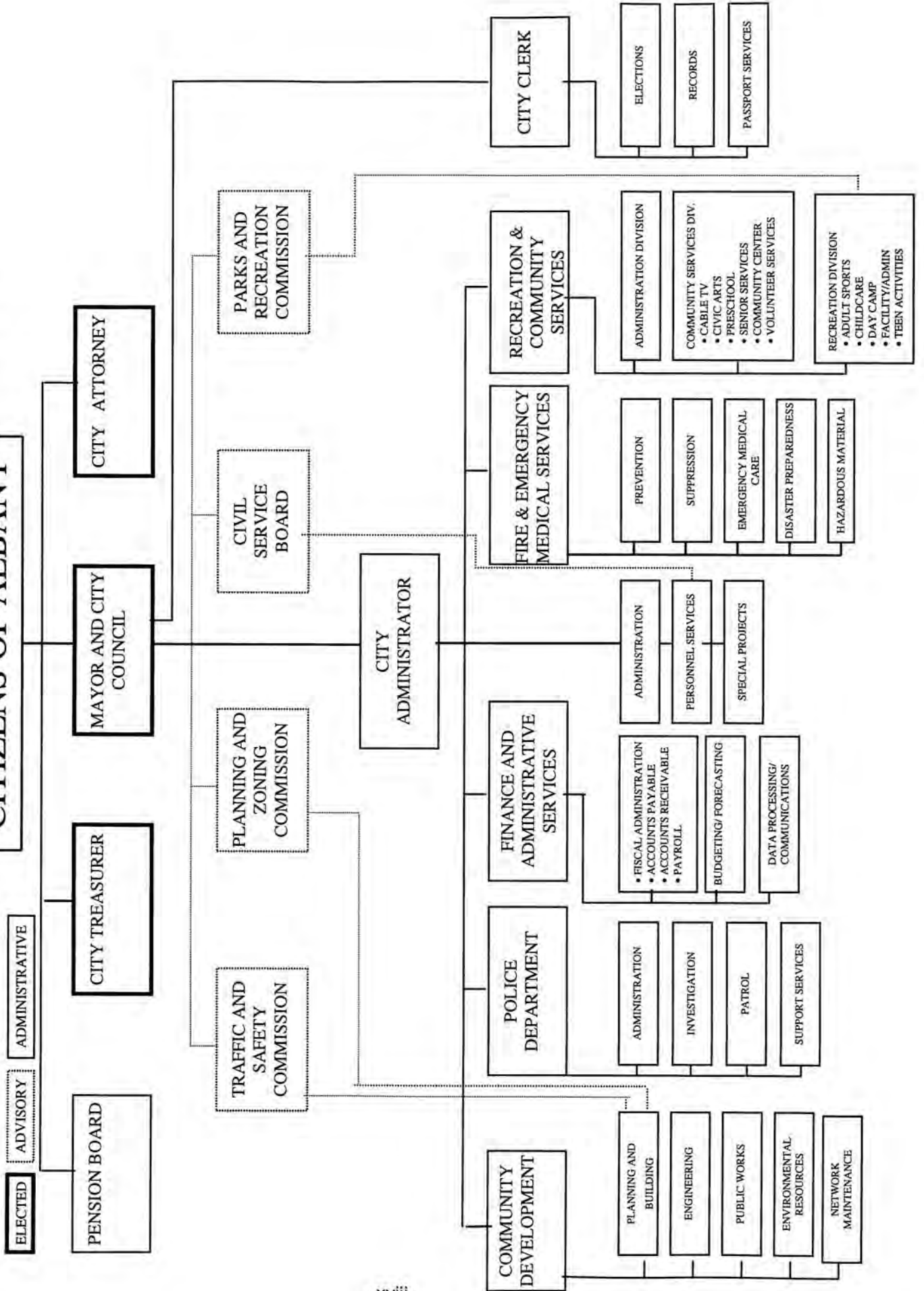
Kim Denton
Robert Zweben

APPOINTED DEPARTMENT HEADS

City Administrator
Finance and Administrative Services Director
City Clerk
Community Development Director
Recreation & Community Services Director
Fire Chief
Chief of Police

Beth A. Pollard
Charles A. Adams
Jacqueline Bucholz
Ann Chaney
Melinda Chinn
Marc McGinn
Greg Bone

ORGANIZATION CHART - CITY OF ALBANY CITIZENS OF ALBANY



ALBANY CALIFORNIA 94706



FINANCIAL

SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Albany, California, (the "City") as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Albany at June 30, 2003, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the schedule of funding progress are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Odenberg Ollakko Murawski & Co LLP

San Francisco, California
October 21, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is management's discussion and analysis of the City of Albany's financial activities and performance for the fiscal year ended June 30, 2003. Please read this in conjunction with the transmittal letter which can be found in the introductory section at the front of this report and with the City's financial statements, which follow this discussion and analysis.

In this fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 38, along with related interpretations. The implementation of these new statements resulted in significant changes in the presentation of financial statements. As a result, certain financial information is not comparable to prior years, and comparative information is not presented. However, comparative financial data will be provided in future years in the financial statements and in this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The Government-Wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the City's assets to be \$53,931,674, liabilities of \$20,086,563 and net assets of \$33,845,111.
- Net assets increased \$222,758, principally as a result of increased revenue from Sewer District assessments to property owners. Sewer District assessments are restricted in use to maintenance and construction of sewers.
- As of June 30, 2003, the unreserved fund balance for the General Fund was \$1,175,158, of which \$522,303 was designated for equipment replacement and cash flow reserves.
- The General Fund Balance Sheet is the first statement of the Basic Financial Statements and General Fund activity is discussed in the Fund Financial Statements section of this Management Discussion and Analysis. The total fund balance of the General Fund, as of June 30, 2003 was \$3,740,729, a net increase of \$788,749. Within the total fund balance, accounting reclassifications resulted in the reserved portion of the fund balance increasing \$2,168,534 and the unreserved portion decreasing \$1,379,785.
- The City's long-term debt increased by \$7,561,631. The increase was due to the issuance of \$8 million of general obligation bonds in June 2003. The proceeds of these bonds will be used to finance repair and improvement of recreational facilities, structural improvements to the fire department, police department and city hall buildings, residential street improvements, bike and pedestrian path improvements and construction, create new parks, improve existing parks, and resurface city streets.
- The Buchanan-Eastshore Highway Interchange was completed during the year at a cost of \$4.8 million, of which \$4.2 million was funded by a State Transportation Improvement Program grant. Costs of \$200,000 were billed to other agencies, and \$400,000 was paid by the Albany Community Reinvestment Agency (Agency), with borrowed funds. The Agency will repay its borrowings with future property tax increment revenues, generated by increases in the assessed value of property in the City's redevelopment area.
- Repairs to the Community Center building were completed at a cost of \$1 million. While these repairs were funded by reserves in various City Capital Project Funds, the City is engaged in litigation with the building's construction contractors to recover the cost of these repairs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The City began the year with a deficit in its self-insured Workers Compensation Fund of \$230,284. An actuarial review of the workers compensation program projected the present value of future liabilities for outstanding claims to be \$2.2 million, increasing the deficit to \$735,741. A contribution of \$400,000 was made during the year, reducing the unfunded liability to \$335,741 as of June 30, 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a long-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Albany is strengthening or weakening.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash receipts or disbursements. Thus, revenues and expenses are reported in this statement for some items that will only result in cash receipts or disbursements in future fiscal periods, such as property taxes assessed for the current year but received after June 30, or vacation leave earned in the current year but not utilized until a subsequent year.

The government-wide financial statements of the City are divided as follows:

Governmental activities – These are activities that are principally supported by taxes and intergovernmental revenues. For the City of Albany, governmental activities include police services, fire and emergency medical services, community development and environmental resources, recreation and community services, and general government administration.

Also reported as governmental activities are several component units. These are organizations whose governing body is the governing body of the primary reporting government or who report to the primary governing body. Also included are organizations for which the nature and significance of their relationship with the primary reporting government is such that exclusion would cause the reporting government's financial statements to be misleading or incomplete. The City of Albany is the primary government in this report, and incorporated into these financial statements are the financial position and activities of four component units. These component units are the City of Albany Police and Fire Relief and Pension Plan (Trust), the City of Albany Public Facilities Financing Authority, the Albany Community Reinvestment Agency, and the Albany Municipal Services Joint Powers Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities – These are activities that are primarily funded through user charges. The only business-type activity to be reported by the City of Albany is sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Albany, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds used by the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, which focus on the long-term, governmental funds financial statements focus on short-term inflows and outflows of spendable resources and the balances spendable resources available for spending. This information is useful in evaluating a government's short-term financing requirements.

To assist the user of these financial statements in understanding the differences and the relationship between the government-wide financial statements and the governmental funds financial statements, reconciliations between the two sets of statements have been included in this report.

The reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets highlights the inclusion of fixed assets and long-term liabilities in the government-wide financial statements.

The reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities and Changes in Net Assets highlights the exclusion of capital expenditures, depreciation and amortization, and cash flows related to long-term debt from the governmental funds statements.

The City of Albany maintains numerous individual funds, which for financial reporting, are grouped according to their type (general fund, special revenue, capital projects, and debt service). Funds whose expenditures exceed 10% of the total expenditures for all governmental funds, or meet other specific criteria for determining their importance to the financial statement user, are designated Major Funds, and are reported separately in the governmental funds statements. All other funds are grouped together for reporting purposes. Major funds for the City of Albany are:

- General Fund
- Capital Projects
- 1996-1 Assessment District Bond Fund
- General Obligation Bond 2003

Individual fund data for each non-major governmental fund is provided in combining statements included in the Required Supplementary Information section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds

Proprietary funds have as their focus the determination of operating income or cost recovery. There are two types of proprietary funds: enterprise funds and internal service funds.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
- Internal service funds are used to accumulate and allocate costs internally among the City's various funds and departments.

The City accounts for the construction and maintenance of City sewers in the Sewer Enterprise Fund. Revenues are obtained through special district assessments collected with property taxes. The assessment rate for fiscal year 2002-03 was \$237.36 per year, per residential unit. Total assessment revenue for the year was \$1,786,322, this was an increase of 19% over the prior year. Expenditures, including interest on bonds of \$150,868, exceeded revenues for the year by \$418,926. Sewer bonds of \$4,885,000 were issued in October 1993, and as of June 30, 2003 the outstanding bonds total \$3,215,000. Bond principal payments during the year were \$215,000.

The City uses an internal service fund to account for anticipated replacement costs of public works and park equipment. Because this reserve predominantly benefits governmental activities, it has been included within the governmental activities in the government-wide financial statements. In prior years, the City utilized internal service funds to account for self-insured general liability and self-insured worker's compensation expenditures and accrued liabilities. During the year, the accounting for these activities and the existing account balances were transferred to the General Fund.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the reporting government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City utilizes two types of fiduciary funds:

- Trust funds are used to record the assets and liabilities held for the benefit of others, under a trust agreement that specifies the degree of management performed by the trustee organization. The City accounts for the activities of the City of Albany Police and Fire Relief and Pension Plan in the Police and Fire Pension Trust Fund. There are no current employee members of this plan, but the City will continue to hold its assets in trust and administer the plan as long as there are members receiving benefits.
- Agency funds are used to record assets of separate organizations for which the City serves as a custodian for the organization. All assets in agency funds are offset by a liability to the organization on whose behalf they are held. The City currently maintains five agency funds that are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements

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

Required Supplementary Information

This report presents supplementary information concerning the City of Albany's progress in its obligation to provide pension benefits to its employees, and extensive combining financial statement and budgetary comparison statements for the summary funds reported in the basic financial statements.

Statistical Section

Graphic presentations of financial information and non-financial information, and various statistics are included in this section, as an aid to understanding and evaluating the overall operation and status of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year that the City of Albany has presented its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Thus comparative information is not available. In future years, when prior-year information is available, comparative financial data will be included in this report.

Analysis of Net Assets

Net assets are a measure of a government's financial position and over time a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. City of Albany's net assets exceeded liabilities by \$33,845,111 at June 30, 2003. Because this is the first year the City has computed and reported net assets, we are not able to report the increase or decrease in net assets for several years, to illustrate the growth or contraction of the City. A schedule of net assets is presented in the table below:

Net assets invested in capital asset (e.g., land, buildings, equipment and infrastructure) of \$23,610,608 represent the cost of these assets less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$6,026,653 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$4,207,850 may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Changes in Net Assets

The City's net assets increased by \$222,758 during the current fiscal year. This growth in the City's net assets is principally from the Sewer Enterprise Fund. Information about changes in net assets is presented in the summary table below:

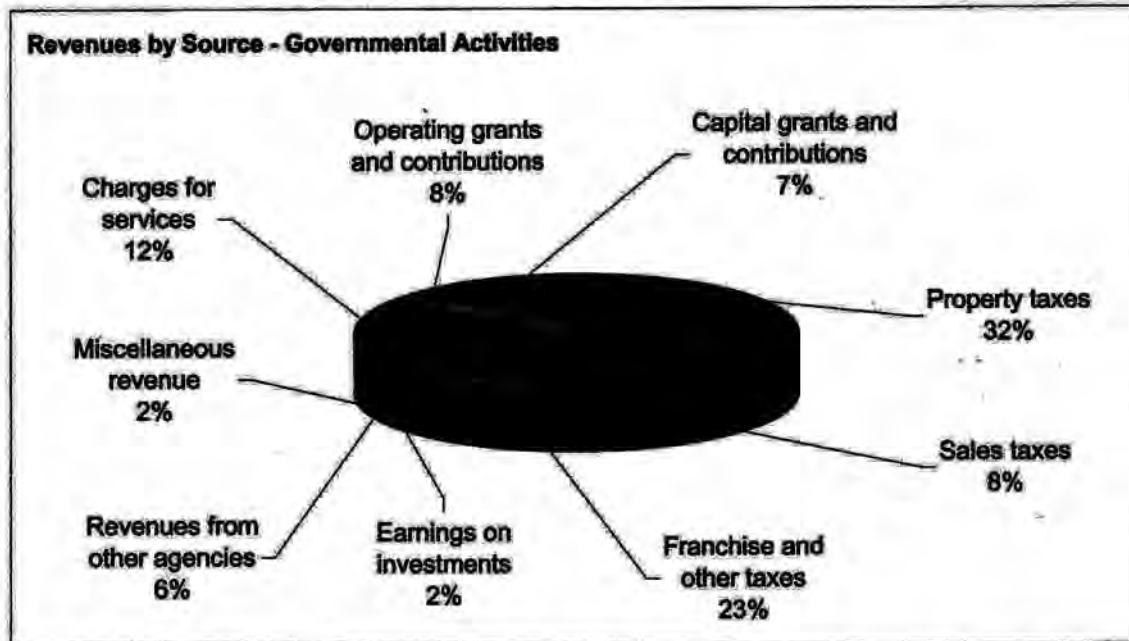
**Changes in Net Assets
June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,906,258	\$ 1,786,322	\$ 3,692,580
Operating grants and contributions	1,298,073	-	1,298,073
Capital grants and contributions	1,147,086	-	1,147,086
General revenues:			
Property taxes	5,279,747	-	5,279,747
Sales taxes	1,339,720	-	1,339,720
Franchise and other taxes	3,656,177	-	3,656,177
Earnings on investment	322,236	45,801	368,037
Revenues from other agencies	1,000,893	-	1,000,893
Miscellaneous revenue	278,811	2,125	280,936
Total revenues	<u>16,229,001</u>	<u>1,834,248</u>	<u>18,063,249</u>
Program expenses:			
General government	4,322,523	-	4,322,523
Police	3,878,639	-	3,878,639
Fire and emergency medical services	2,805,622	-	2,805,622
Community development and environmental resources	3,288,021	-	3,288,021
Recreation and community services	2,644,832	-	2,644,832
Interest on long-term debt	255,332	-	255,332
Sewer	-	656,722	656,722
Total program expenses	<u>17,194,969</u>	<u>656,722</u>	<u>17,851,691</u>
Increase/(decrease) in net assets before transfers	<u>(965,968)</u>	<u>1,177,526</u>	<u>211,558</u>
Transfers	769,800	(758,600)	11,200
Change in net assets	<u>(196,168)</u>	<u>418,926</u>	<u>222,758</u>
Net assets - beginning	24,792,831	8,903,733	33,696,564
Prior period adjustment	(74,211)	-	(74,211)
Net assets - beginning of year as restated	<u>24,718,620</u>	<u>8,903,733</u>	<u>33,622,353</u>
Net assets - ending	<u>\$ 24,522,452</u>	<u>\$ 9,322,659</u>	<u>\$ 33,845,111</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

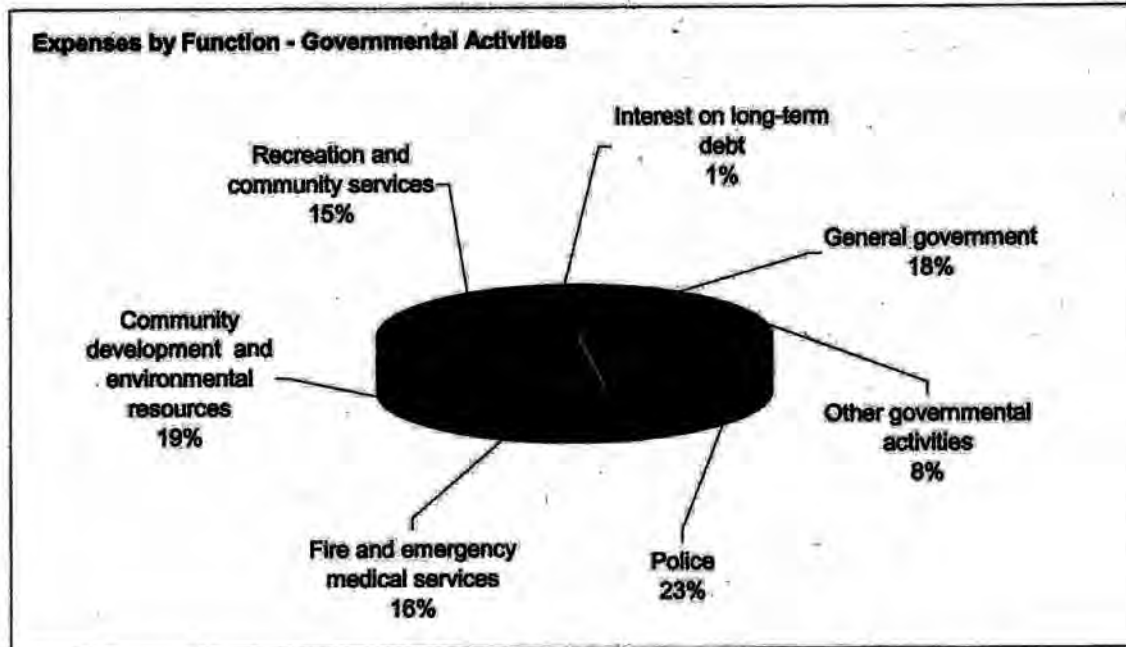
Governmental Activities

The decrease in governmental activities net assets of \$196,168 is the net result of many events that occurred during the year, several of which are discussed in subsequent analysis of individual funds. Two events of major impact were the requirement to increase reserves for workers' compensation self-insurance liability by \$700,000, based on the projections of an actuarial review, and the expenditure of \$1 million for repairs to the Community Center Building. These repairs were necessitated by construction deficiencies, and the City is engaged in litigation to recover the repair costs from the construction contractors.



The chart of revenues by source above, illustrates that property taxes are the largest source of operating revenue for the City. It is also one of the most stable and consistent growth revenues. Property taxes at 32% of revenue include the .0993% pension override tax and special assessments, as well as the City's .2% share of the 1.0% countywide tax. Franchise and other taxes are the second largest source of operating revenue. The major components of this revenue category are: business license, property transfer taxes, utility user taxes and race track taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS



The chart of expenses graphically portrays the relative proportion of expenditures by function, as listed in the previous statement, with the modification of separating General Fund type expenditures and expenditures of the various other funds, most of which are funded by restricted revenue sources.

Business-type Activities

The increase in business-type activities net assets of \$418,926 represents activity in the Sewer Enterprise Fund. The source of revenue for this fund is user assessments made on the basis of equivalent residential units (ERU). The assessment for this fiscal year was \$237.36 /ERU, an increase of 10% over the prior year rate. The transfers out from the Sewer Enterprise Fund were made to fund sewer repair expenses that were incurred by other funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure compliance with finance-related legal requirements. The fund basis financial statements presented in this report address the need of the City to demonstrate compliance with financial restrictions, and they allow the statements users to separately analyze individual funds.

**Revenues, Expenditures and Other Changes in Fund Balances
For the Fiscal Year Ended June 30, 2003**

	General Fund	Other Major Funds	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 10,296,834	\$ 798,695	\$ 5,130,409	\$ 16,225,938
Current expenditures	11,721,230	15,860	3,016,737	14,753,827
Capital outlay	5,992	1,971,799	613,671	2,591,462
Debt service	68,707	-	507,578	576,285
Debt proceeds	-	(7,911,000)	(91,787)	(8,002,787)
Net transfers	(1,901,641)	(352,362)	1,664,630	(589,373)
Prior period adjustment	(386,203)	-	460,414	74,211
	<u>9,508,085</u>	<u>(6,275,703)</u>	<u>6,171,243</u>	<u>9,403,625</u>
Net change in fund balances	788,749	7,074,398	(1,040,834)	6,822,313
Fund balances, beginning of year	<u>2,951,980</u>	<u>4,219,054</u>	<u>3,592,783</u>	<u>10,763,817</u>
Fund balances, end of year	<u>\$ 3,740,729</u>	<u>\$ 11,293,452</u>	<u>\$ 2,551,949</u>	<u>\$ 17,586,130</u>

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,586,130, an increase of \$6,822,313 from the prior year. The unreserved amount of \$1,005,200 is available for future spending.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to fund self-insurance reserves and liquidate existing contracts (\$2,565,571), (2) to fund capital projects in future fiscal years (\$13,442,517), and (3) to pay debt service (\$572,842).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The combined fund balances of governmental funds increased \$6,822,313, however, this increase includes proceeds of \$7,911,000 from the issuance of general obligation bonds and is net of approximately \$1 million of recoverable expenditures for repair of the Community Center building. The fund balance was also decreased by capital expenditures of \$2,591,462.

The best measure of the effectiveness of financial management of governmental funds is the increase or decrease of the fund balance from operations. For this fiscal year, revenues were \$16,225,938, and current expenditures and debt service was \$15,330,112, yielding a net increase in fund balance from operations of \$895,826.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$3,740,729, of which \$1,175,158 was unreserved. Of this unreserved amount, \$357,950 was designated for capital outlay, \$164,353 was designated for future cash flow needs, leaving \$652,855 reserved and undesignated. The fund balance in the City's General Fund increased by \$788,749 during the fiscal year. This increase in fund balance is attributable to an excess of current fund revenues and other sources over current expenses and other uses of \$402,546, and a prior period adjustment to recognize a receivable of \$386,203 from the Reinvestment Agency, for advances made to the Agency in prior years.

Proprietary Funds

The net assets for proprietary funds increased over the prior year-end balance by \$489,104, of which \$418,926 occurred in the Sewer Enterprise Fund. A significant factor in the net asset increase was the increase in service charge revenue of \$280,479 due to an increase in the assessment rate from \$215.76 to \$237.36 per residential unit, and increased collections from not-for-profit organizations that receive services from the City.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Police and Fire Relief and Pension Fund. The net assets totaled \$14,331,239 for the fiscal year ended June 30, 2003, representing an increase of \$867,518 from prior year. The City received revenue of \$1,251,176 from the .0993% override property tax, which is dedicated to employer retirement plans contributions. The City has in this and prior years elected to contribute the entire amount of this tax to the Police and Fire Relief and Pension Fund, so as to reduce the unfunded liability of the plan. The June 30, 2003 actuarial valuation of the plan projected full funding of the future pension liability by June 30, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

**General Fund Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning fund balances July 1, 2002	\$ 2,564,237	\$ 2,572,898	\$ 2,951,980	\$ 379,082
Resources:				
Revenues	9,431,080	9,709,901	10,296,834	586,933
Transfers in	2,218,413	2,303,913	2,327,852	23,939
Total amount available for appropriation	<u>11,649,493</u>	<u>12,013,814</u>	<u>12,624,686</u>	<u>610,872</u>
Charges to appropriations:				
Expenditures	11,324,588	11,682,137	11,795,929	(113,792)
Transfers out	222,852	242,769	426,211	(183,442)
Total charges to appropriation	<u>11,547,440</u>	<u>11,924,906</u>	<u>12,222,140</u>	<u>(297,234)</u>
Resources over (under) charges to appropriations	<u>102,053</u>	<u>88,908</u>	<u>402,546</u>	<u>313,638</u>
Prior period adjustment			<u>386,203</u>	
Ending fund balances, June 30, 2003	<u>\$ 2,666,290</u>	<u>\$ 2,661,806</u>	<u>\$ 3,740,729</u>	<u>\$ 692,720</u>

Budget Modifications

The original Fiscal Year 2002-03 budget was adopted in June 2002, the final revised budget was adopted in September 2002. The net change in the revised budget was a decrease in the excess of resources over charges to appropriations of \$13,145; however, there were several significant adjustments of revenues, expenditures and transfers:

Property transfer tax revenue was increased \$70,000, to reflect higher revenue generated by the increase in the tax rate from \$8.50 to \$11.50 in January 2003. The estimated revenue from traffic and parking fines was increased \$100,000 to reflect increased enforcement of traffic laws and increased frequency of parking patrols. The estimated revenue for building permits and inspections, fire inspections, recreation program fees and other revenue producing activities was increased \$80,000 to reflect higher levels of activity and increased rates as specified in the master fee schedule.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The \$360,000 increase in expenditures is largely due to personnel cost adjustments in the Police and Fire/EMS Departments. Total budgeted Police expenditures were increased \$151,000, of which \$127,000 was generated by higher rates for medical and retirement benefits. Total budgeted Fire/EMS expenditures were increased \$191,000. The major items of increase were wages of \$61,000 and benefits of \$161,000. These budgeted costs were affected by both the increase in medical and retirement benefits rates, and recognition of the union agreement that was agreed upon after the original budget had been adopted.

Transfers in to the General Fund are generally made to match restricted revenue with related costs that have been recorded in the General Fund. An example of this type of transfer is the special assessment revenue for EMS (Emergency Medical Services) that is used to pay wages of firefighters/paramedic. The EMS Fund transfer was increased \$85,500 following revisions of estimated revenues.

Operating Variances

The City experienced positive results for the year in comparison of actual revenue and expenditures to final budget. The budget projected a net increase in fund balance of \$88,908 and the actual results were a net increase of \$402,546, a positive variance of \$313,638.

Total revenues exceeded budget by \$586,933, which was a net of six revenue sources exceeding budget and three sources falling below budget. Service charges and other revenues exceeded budget by a combined amount of \$291,778. These revenues are largely the product of services provided by the Community Development and Environmental Resources Department, and correspondingly, Community Development and Environmental Resources Department expenditures exceeded budget by \$115,250. Franchise and other taxes exceeded budget by \$290,277. Sales taxes are the third largest source of revenue for the City and they were below budget by \$77,280 and \$70,000 below the prior year.

Expenditures of the Police Department were \$152,690 below budget as a result up to five police officer vacancies during the year. Expenditures of the Fire/EMS Department were \$105,740 over budget as a result of overtime charges, higher workers compensation insurance premiums and the new wage schedule negotiated during the year and applied retroactively. Community Development and Environmental Resources Department expenditures exceeded budget by \$105,250 principally as a result of greater permit activity than budgeted. General government expenditures exceeded budget by \$105,941, with the two largest over expenditures occurring in insurance expense and legal expense related to litigation on the Community Center repairs.

Capital Assets and Debt Administration

Capital Assets

Detailed information regarding composition and activity in capital assets is provided in Note 5 to the financial statements. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2003 amounted to \$30,250,530 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, highways, drainage systems, and construction in progress.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major events, affecting capital asset, during the current fiscal year included the following:

- Final construction costs of \$640,000 were incurred for the Buchanan-Eastshore Highway Interchange. The project was completed in August 2002 at a total cost of \$4.8 million.
- Renovation of the Teen Center for approximately \$257,000.
- Memorial Park improvements were commenced with costs of approximately \$147,000 incurred in this fiscal year.

**Capital Assets, Net of Accumulated Depreciation
June 30, 2003**

	Governmental Activities	Business-type Activities	Total
Land and construction in progress	\$ 7,697,397	\$ -	\$ 7,697,397
Facilities, infrastructure, and equipment	12,198,001	10,355,132	22,553,133
Total	\$ 19,895,398	\$ 10,355,132	\$ 30,250,530

Additional information about the City's capital assets can be found in Note 5 to the financial statements.

Long-term Debt

At June 30, 2003, the City had total long-term debts and obligations as scheduled below.

**Outstanding Long-term Obligations
June 30, 2003**

	Governmental Activities	Business-type Activities	Total
1997 Refunding COPS	\$ 3,315,000	\$ -	\$ 3,315,000
2003 general obligation bonds	8,000,000	-	8,000,000
Sewer revenue bonds	-	3,215,000	3,215,000
Capital leases	109,922	-	109,922
Workers' compensation	335,741	-	335,741
Other long-term obligations	1,523,753	-	1,523,753
Total	\$ 13,284,416	\$ 3,215,000	\$ 16,499,416

MANAGEMENT'S DISCUSSION AND ANALYSIS

In November 2002, voters passed Measure F to authorize issuance of \$14 million of general obligation bonds. During the fiscal year, bonds in the amount of \$8 million were issued. The net proceeds will be used to finance the costs to repair and improve recreational facilities; structural improvements to the fire department, police department and city hall buildings, residential street improvements, bike path improvements and construction, and safety lighting; create new parks and improve existing parks; and resurface city streets. Additional information about the City's long-term debt can be found in Notes 6 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the date of publication of this report, there is much uncertainty regarding City revenues for the coming fiscal year and beyond. Property taxes comprise 24% of the General Fund revenues and it appears that this will remain a stable source of revenue into the coming year; although there has been a proposal at the state level to supplant local property tax revenue to cities with sales tax revenue.

Sales taxes are the second largest source of revenue to the City and they are subject to significant fluctuation in concert with the Bay Area economy. The City has fared better than the County as a whole during the recent economic downturn, but the current downward trend in sales tax revenue is not likely to be reversed until sustained economic recovery is achieved in the Bay Area.

The State has deferred payment to cities and counties of Vehicle License Fees "backfill," due for the first three months of fiscal 2003-04. This is a loss of revenue of approximately \$160,000 to the City of Albany. Should this important source of revenue be further impeded or terminated, the impact upon the City will be swift and severe.

The outlook for stability or growth in other tax revenues is good.

The City expects to be able to maintain its moderate and responsible fiscal policies related to operating expenditures; however, rising costs of workers compensation insurance, rising costs of medical insurance, and rising costs of PERS retirement plan contributions are factors that are largely beyond the City's ability to control, and should they continue to rise at present rates, the City will find it difficult to absorb them while continuing to provide the current level of services.

The City anticipates issuance of an additional \$6 million of general obligation bonds in Fiscal Year 2004-05, to continue its capital improvement plan. The Albany Community Reinvestment Agency is expected to generate, beginning in Fiscal Year 2004-05, sufficient property tax increment revenue to fund additional economic development activities, and these new retail developments will generate sales tax revenue to the City that will be unrestricted in its use.

REQUESTS FOR INFORMATION

This financial report is designed to provide a comprehensive and understandable portrayal of the City's finances, and to fulfill the City's financial accountability to Albany Citizens, governmental entities, and other interested parties. Questions about this report, requests for additional financial, or requests for separate financial statements for the Albany Community Reinvestment Agency, the City of Albany Police and Fire Relief and Pension Fund may be addressed to:

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

GOVERNMENT-WIDE

FINANCIAL

STATEMENTS

CITY OF ALBANY**Statement of Net Assets****June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Operating cash and investments	\$ 18,645,795	\$ 1,687,426	\$ 20,333,221
Debt service reserves held with trustee	466,162	389,018	855,180
Receivables:			
Property taxes	64,059	-	64,059
Other taxes	603,331	-	603,331
Accounts, less allowance of \$283,221	975,667	25,861	1,001,528
Interest	77,234	-	77,234
Current portion of note receivable	3,134	-	3,134
Total current assets	<u>20,835,382</u>	<u>2,102,305</u>	<u>22,937,687</u>
Noncurrent assets:			
Note receivable	387,335	-	387,335
Deferred charges, net	197,925	158,197	356,122
Capital assets, net	<u>19,895,398</u>	<u>10,355,132</u>	<u>30,250,530</u>
Total noncurrent assets	<u>20,480,658</u>	<u>10,513,329</u>	<u>30,993,987</u>
Total assets	<u>41,316,040</u>	<u>12,615,634</u>	<u>53,931,674</u>
LIABILITIES			
Current liabilities:			
Accounts payable	635,058	25,631	660,689
Accrued salaries & benefits	220,276	292	220,568
Accrued liabilities	298,947	52,052	350,999
Claims payable	2,175,102	-	2,175,102
Deferred revenue	179,789	-	179,789
Current portion of long-term debt	<u>346,395</u>	<u>225,000</u>	<u>571,395</u>
	<u>3,855,567</u>	<u>302,975</u>	<u>4,158,542</u>
Noncurrent liabilities:			
Long-term debt, net	<u>12,938,021</u>	<u>2,990,000</u>	<u>15,928,021</u>
Total liabilities	<u>16,793,588</u>	<u>3,292,975</u>	<u>20,086,563</u>
NET ASSETS			
Invested in capital assets, net of related debt	16,470,476	7,140,132	23,610,608
Restricted for:			
Capital projects	5,531,517	-	5,531,517
Debt service	495,136	-	495,136
Unrestricted	<u>2,025,323</u>	<u>2,182,527</u>	<u>4,207,850</u>
Total net assets	<u>\$ 24,522,452</u>	<u>\$ 9,322,659</u>	<u>\$ 33,845,111</u>

CITY OF ALBANY

Statement of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue
					Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities:					
General government	\$ 4,322,523	\$ 88,680	\$ -	\$ -	\$ (4,233,843)
Police	3,878,639	374,842	418,445	-	(3,085,352)
Fire and emergency medical services	2,805,622	496,918	-	2,492	(2,306,212)
Community development and environmental resources	3,288,021	394,254	825,391	772,332	(1,296,044)
Recreation and community services	2,644,832	551,564	54,237	372,262	(1,666,769)
Interest on long-term debt	255,332	-	-	-	(255,332)
Total governmental activities	<u>17,194,969</u>	<u>1,906,258</u>	<u>1,298,073</u>	<u>1,147,086</u>	<u>(12,843,552)</u>
Business-type activities:					
Sewer	656,722	1,786,322	-	-	1,129,600
Total business-type activities	<u>656,722</u>	<u>1,786,322</u>	<u>-</u>	<u>-</u>	<u>1,129,600</u>
Change in net assets:					
Net (expense) revenue	<u>\$ 17,851,691</u>	<u>\$ 3,692,580</u>	<u>\$ 1,298,073</u>	<u>\$ 1,147,086</u>	<u>\$ (11,713,952)</u>

Continued
on next page

CITY OF ALBANY

Statement of Activities and Changes in Net Assets (Continued)

For the Fiscal Year Ended June 30, 2003

Functions/Programs	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in net assets:			
Net (expense) revenue	<u>\$ (12,843,552)</u>	<u>\$ 1,129,600</u>	<u>\$ (11,713,952)</u>
General revenues:			
Taxes:			
Property taxes	5,279,747	-	5,279,747
Sales taxes	1,339,720	-	1,339,720
Franchise and other taxes	3,656,177	-	3,656,177
Earnings on investments	322,236	45,801	368,037
Revenues from other agencies	1,000,893	-	1,000,893
Miscellaneous revenue	278,811	2,125	280,936
Transfers	<u>769,800</u>	<u>(758,600)</u>	<u>11,200</u>
Total general revenues and transfers	<u>12,647,384</u>	<u>(710,674)</u>	<u>11,936,710</u>
Change in net assets	<u>(196,168)</u>	<u>418,926</u>	<u>222,758</u>
Net assets, beginning of year, as previously reported	24,792,831	8,903,733	33,696,564
Prior period adjustments	<u>(74,211)</u>	<u>-</u>	<u>(74,211)</u>
Net assets, beginning of year, as restated	<u>24,718,620</u>	<u>8,903,733</u>	<u>33,622,353</u>
Net assets, end of year	<u>\$ 24,522,452</u>	<u>\$ 9,322,659</u>	<u>\$ 33,845,111</u>

FUND

FINANCIAL

STATEMENTS

CITY OF ALBANY
Governmental Funds
Balance Sheet
June 30, 2003

	Major Funds					Total Governmental Funds
	General Fund	Capital Projects	1996-1 Assessment District Bond Fund	General Obligation Bond 2003	Other Governmental Funds	
ASSETS						
Operating cash and investments	\$ 2,580,774	\$ -	\$ 4,943,738	\$ 7,911,000	\$ 3,005,162	\$ 18,440,674
Debt service reserves held with trustee	-	-	-	-	466,162	466,162
Receivables:						
Property taxes	43,099	-	-	-	20,960	64,059
Other taxes	513,226	-	-	-	90,105	603,331
Accounts, less allowance of \$283,221	99,396	479,842	-	-	396,429	975,667
Interest	55,468	-	21,766	-	-	77,234
Note	390,469	-	-	-	-	390,469
Due from other funds	2,052,296	-	-	-	-	2,052,296
Advances to other funds	851,836	-	-	-	-	851,836
Total assets	\$ 6,586,564	\$ 479,842	\$ 4,965,504	\$ 7,911,000	\$ 3,978,818	\$ 23,921,728
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 320,842	\$ 168,834	\$ 14,267	\$ -	\$ 131,115	\$ 635,058
Accrued salaries & benefits	211,571	215	-	-	8,490	220,276
Accrued liabilities	69,937	98,504	-	-	52,800	221,241
Due to other funds	-	1,469,250	311,824	-	271,222	2,052,296
Claims payable	2,175,102	-	-	-	-	2,175,102
Deferred revenue	68,383	-	-	-	111,406	179,789
Advances from other funds	-	-	-	-	851,836	851,836
Total liabilities	2,845,835	1,736,803	326,091	-	1,426,869	6,335,598
Fund balances						
Reserved for long-term note receivable	390,469	-	-	-	-	390,469
Reserved for insurance reserves	2,175,102	-	-	-	-	2,175,102
Reserved for capital projects	-	-	4,639,413	7,911,000	892,104	13,442,517
Reserved for debt service	-	-	-	-	572,842	572,842
Unreserved:						
Designated - General Fund-equipment replacement	357,950	-	-	-	-	357,950
Designated - General Fund-future cash flow requirements	164,353	-	-	-	-	164,353
Designated - Special Revenue Funds	-	-	-	-	1,826,290	1,826,290
Undesignated - General Fund	652,855	-	-	-	-	652,855
Unreserved (deficit) - Capital Project Funds	-	(1,256,961)	-	-	(312,509)	(1,569,470)
Unreserved (deficit) - Debt Service Funds	-	-	-	-	(426,778)	(426,778)
Total fund balances	3,740,729	(1,256,961)	4,639,413	7,911,000	2,551,949	17,586,130
Total liabilities and fund balances	\$ 6,586,564	\$ 479,842	\$ 4,965,504	\$ 7,911,000	\$ 3,978,818	\$ 23,921,728

CITY OF ALBANY

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets**

June 30, 2003

Total Fund Balances - Total Governmental Funds **\$ 17,586,130**

Amounts reported for governmental activities in the statement of net assets are different because:

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds:

1997 Refunding COP's	109,172	
2003 general obligation bonds	<u>88,753</u>	197,925

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

Nondepreciable	\$ 7,697,397	
Depreciable	16,007,604	
Less accumulated depreciation	<u>(3,826,087)</u>	19,878,914

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(77,706)

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

Workers' compensation	(335,741)	
Accrued compensated absences	(769,653)	
1997 Refunding COP's	(3,315,000)	
2003 general obligation bonds	(8,000,000)	
Capital leases	(109,922)	
Arbitrage liability	(4,100)	
Landfill postclosure cost liability	<u>(750,000)</u>	(13,284,416)

Internal service funds are used by management to charge costs of certain activities such as equipment replacement, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

221,605

Net Assets of Governmental Activities

\$ 24,522,452

CITY OF ALBANY**Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2003**

	Major Funds					Total Governmental Funds
	General Fund	Capital Projects	1996-1 Assessment District Bond Fund	General Obligation Bond 2003	Other Governmental Funds	
REVENUES						
Property taxes	\$ 2,405,077	\$ -	\$ -	\$ -	\$ 2,874,670	\$ 5,279,747
Sales taxes	1,339,720	-	-	-	-	1,339,720
Franchise and other taxes	3,656,177	-	-	-	-	3,656,177
Licenses and permits	175,403	-	-	-	-	175,403
Fines and forfeitures	333,702	-	-	-	-	333,702
Earnings on investments	137,920	-	106,361	-	77,955	322,236
Revenues from other agencies	1,023,485	692,334	-	-	1,730,234	3,446,053
Current services charges	949,603	-	-	-	447,550	1,397,153
Other revenue	275,747	-	-	-	-	275,747
Total revenues	10,296,834	692,334	106,361	-	5,130,409	16,225,938
EXPENDITURES						
Current:						
General government	2,635,860	-	-	-	1,279,462	3,915,322
Police	3,384,500	-	-	-	441,452	3,825,952
Fire and emergency medical services	2,739,932	-	-	-	2,276	2,742,208
Community development and environmental resources	1,946,245	15,860	-	-	837,937	2,800,042
Recreation and community services	1,014,693	-	-	-	455,610	1,470,303
Capital outlay	5,992	1,903,867	67,932	-	613,671	2,591,462
Debt service:						
Principal	-	-	-	-	329,952	329,952
Interest	68,707	-	-	-	177,626	246,333
Total expenditures	11,795,929	1,919,727	67,932	-	4,137,986	17,921,574
REVENUES OVER (UNDER) EXPENDITURES	(1,499,095)	(1,227,393)	38,429	-	992,423	(1,695,636)
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	7,911,000	91,787	8,002,787
Operating transfers in	2,327,852	352,362	-	-	620,084	3,300,298
Operating transfers out	(426,211)	-	-	-	(2,284,714)	(2,710,925)
Total other financing sources (uses)	1,901,641	352,362	-	7,911,000	(1,572,843)	8,592,160
Net change in fund balances	402,546	(875,031)	38,429	7,911,000	(580,420)	6,896,524
Fund balances, beginning of year	2,951,980	(381,930)	4,600,984	-	3,592,783	10,763,817
Prior period adjustment	386,203	-	-	-	(460,414)	(74,211)
Fund balances, end of year	\$ 3,740,729	\$ (1,256,961)	\$ 4,639,413	\$ 7,911,000	\$ 2,551,949	\$ 17,586,130

CITY OF ALBANY

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

For the Fiscal Year Ended June 30, 2003

Net Changes in Fund Balances - Total Governmental Funds **\$ 6,896,524**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,393,541	
Depreciation expense	<u>(440,735)</u>	952,806

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.

Issuance on long-term debt	(8,000,000)	
Principal repayments on long-term debt	<u>329,952</u>	(7,670,048)

Some expenses reported in the statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of bond issuance costs	(11,839)	
Change in compensated absences	(20,342)	
Change in accrued interest payable	(77,706)	
Workers' compensation	<u>(335,741)</u>	(445,628)

Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental funds.

70,178

Total Changes in Net Assets of Governmental Activities **\$ (196,168)**

CITY OF ALBANY**General Fund****Statement of Revenues, Expenditures , and Changes in Fund Balances -
Budget and Actual****For the Fiscal Year Ended June 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable/ (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 2,316,526	\$ 2,316,526	\$ 2,405,077	\$ 88,551
Sales taxes	1,395,000	1,417,000	1,339,720	(77,280)
Franchise and other taxes	3,285,900	3,365,900	3,656,177	290,277
Licenses and permits	153,000	153,000	175,403	22,403
Fines and forfeitures	215,000	315,000	333,702	18,702
Earnings on investments	165,000	165,000	137,920	(27,080)
Revenues from other agencies	1,006,800	1,043,903	1,023,485	(20,418)
Current services charges	856,477	844,102	949,603	105,501
Other revenue	37,377	89,470	275,747	186,277
Total revenues	9,431,080	9,709,901	10,296,834	586,933
EXPENDITURES				
Current:				
General government	2,543,817	2,529,919	2,635,860	(105,941)
Police	3,386,177	3,537,190	3,384,500	152,690
Fire and emergency medical services	2,443,052	2,634,192	2,739,932	(105,740)
Community development and environmental resources	1,850,512	1,830,995	1,946,245	(115,250)
Recreation and community services	1,021,030	1,069,841	1,014,693	55,148
Capital outlay	-	-	5,992	(5,992)
Debt service:				
Interest	80,000	80,000	68,707	11,293
Total expenditures	11,324,588	11,682,137	11,795,929	(113,792)
REVENUES OVER (UNDER) EXPENDITURES	(1,893,508)	(1,972,236)	(1,499,095)	473,141
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,218,413	2,303,913	2,327,852	23,939
Operating transfers out	(222,852)	(242,769)	(426,211)	(183,442)
Total other financing sources (uses)	1,995,561	2,061,144	1,901,641	(159,503)
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	<u>\$ 102,053</u>	<u>\$ 88,908</u>	402,546	<u>\$ 313,638</u>
Fund balances, beginning of year			2,951,980	
Prior period adjustment			386,203	
Fund balances, end of year			<u>\$ 3,740,729</u>	

CITY OF ALBANY
Proprietary Funds
Statement of Net Assets
June 30, 2003

	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Operating cash and investments	\$ 1,687,426	\$ 205,121
Debt service reserves held with trustee	389,018	-
Receivables	25,861	-
Total current assets	2,102,305	205,121
Noncurrent assets:		
Deferred charges, net	158,197	-
Capital assets, net	10,355,132	16,484
Total noncurrent assets	10,513,329	16,484
Total assets	12,615,634	221,605
LIABILITIES		
Current liabilities:		
Accounts payable	25,631	-
Accrued salaries & benefits	292	-
Accrued liabilities	52,052	-
Current portion of long-term debt	225,000	-
Total current liabilities	302,975	-
Noncurrent liabilities:		
Long-term debt	2,990,000	-
Total liabilities	3,292,975	-
NET ASSETS		
Invested in capital assets, net of related debt	7,140,132	16,484
Unrestricted	2,182,527	205,121
Total net assets	\$ 9,322,659	\$ 221,605

CITY OF ALBANY

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year Ended June 30, 2003

	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Services charges	\$ 1,786,322	\$ -
Total operating revenue	<u>1,786,322</u>	<u>-</u>
OPERATING EXPENSES		
Materials, supplies and other	241,882	-
Amortization - bond issuance costs	15,819	-
Depreciation	248,153	110,249
Total operating expenses	<u>505,854</u>	<u>110,249</u>
Operating income (loss)	<u>1,280,468</u>	<u>(110,249)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	45,801	-
Miscellaneous	2,125	-
Interest expense	(150,868)	-
Net nonoperating revenues (expenses)	<u>(102,942)</u>	<u>-</u>
Income (loss) before operating transfers	1,177,526	(110,249)
Operating transfers in	10,000	280,284
Operating transfers out	(768,600)	(99,857)
Net operating transfers	<u>(758,600)</u>	<u>180,427</u>
Changes in net assets	418,926	70,178
Net assets, beginning of year	<u>8,903,733</u>	<u>151,427</u>
Net assets, end of year	<u>\$ 9,322,659</u>	<u>\$ 221,605</u>

CITY OF ALBANY

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2003

	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,778,627	\$ -
Cash paid to suppliers	(906,996)	-
Cash paid to employees	(13,299)	-
Net cash provided by operating activities	<u>858,332</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in from other funds	10,000	280,284
Transfers out to other funds	(768,600)	(99,857)
Claims and workers' compensation liabilities transferred to general fund	-	(1,741,412)
Net cash used by noncapital financing activities	<u>(758,600)</u>	<u>(1,560,985)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments - bonds	(215,000)	-
Interest paid	(150,868)	-
Other	2,371	-
Net cash used by capital and related financing activities	<u>(363,497)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	45,801	-
Decrease in restricted investments	1,410	-
Net cash provided by investing activities	<u>47,211</u>	<u>-</u>
Net change in cash and cash equivalents	(216,554)	(1,560,985)
Cash and cash equivalents at beginning of year	<u>1,903,980</u>	<u>1,766,106</u>
Cash and cash equivalents at end of year	<u>\$ 1,687,426</u>	<u>\$ 205,121</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,280,468	\$ (110,249)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	263,972	110,249
Miscellaneous non-operating revenue (expense)	952	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(7,695)	-
Decrease (increase) in accounts payable and accrued liabilities	(679,365)	-
Net cash provided by operating activities	<u>\$ 858,332</u>	<u>\$ -</u>

CITY OF ALBANY

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2003

	<u>Pension Trust Fund (Police and Fire Pension)</u>	<u>Agency Funds</u>
ASSETS		
Operating cash and investments	\$ -	\$ 1,025,156
Debt service reserves held with trustee	-	502,726
Receivables:		
Contributions and other	481,755	27,500
Interest	103,768	-
Investments, at fair value	<u>13,745,716</u>	<u>-</u>
Total assets	<u>14,331,239</u>	<u>1,555,382</u>
LIABILITIES		
Accounts payable	-	461,367
Due to bondholders	-	908,209
Refundable deposits	-	185,806
Total liabilities	<u>-</u>	<u>1,555,382</u>
NET ASSETS		
Assets held in trust for pension benefits	<u>14,331,239</u>	<u>-</u>
Total net assets	<u>\$ 14,331,239</u>	<u>\$ -</u>

CITY OF ALBANY

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2003

	<u>Pension Trust Fund (Police and Fire Pension)</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,885
Plan members	2,885
Total contributions	<u>5,770</u>
Investment income:	
Net appreciation in fair value of investments	379,527
Interest	501,226
Dividends	92,794
Total investment income	<u>973,547</u>
Less investment expense	115,648
Net investment income	<u>857,899</u>
Other:	
Property tax override	<u>1,251,176</u>
Total additions to net assets	<u>2,114,845</u>
DEDUCTIONS	
Benefits paid	1,215,833
Administrative expenses	31,494
Total deductions from net assets	<u>1,247,327</u>
Changes in net assets	867,518
Net assets, beginning of year	13,463,721
Net assets, end of year	<u>\$ 14,331,239</u>

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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 June 30, 2003, as estimated by the California Department of Finance was 16,800.

The City operates under the Council-Administrator form of government, with a full-time City Administrator. The governing body is a five member council, with one council member serving as mayor. Other elected officials are the City Treasurer and the City Attorney.

In addition to finance and administrative functions, the City Administrator oversees approximately 118 fulltime-equivalent employees in the functions of:

- *Police services* - the Police Department is composed of a Chief, 26 sworn officers and 8 unsworn personnel. A force of 12 reserve officers augments the fulltime police force. In addition to enforcement of laws and protection of life and property, the department is involved in numerous community service programs.
- *Fire and Emergency Medical Services* - the Fire and Emergency Medical Services Department is composed of a Chief, a Battalion Chief, and 18 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 sale of bicycle helmets and conducting CPR courses.
- *Recreation and Community Services* - the City provides many recreational services to its citizens, with emphasis on services to youth and seniors. City owned facilities operated by this department are:
 - Community Center,
 - Senior Center,
 - Memorial Park Child Care Center, and
 - Albany Teen Center.
- *Community Development* - the functions of maintaining the infrastructure of the City and administering licensing, permit and zoning are assigned to this department. The functions performed by this department are administered in three divisions:
 - Planning and Building,
 - Public Works, and
 - Environmental Resources.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The financial statements of the City include the financial activities of the City as well as separate legal entities, called component units, which are controlled by or dependent on the City. While these are separate legal entities, the City Council may serve, in separate session, as their governing body and their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the City, in the accompanying financial statements.

- *The City of Albany Police and Fire Relief and Pension Plan (Trust)* is a separate legal trust whose purpose is to provide pension benefits for certain City employees. The Trust's governing board is composed of the Mayor, City Treasurer, City Clerk, and two members of the Trust. All accounting and administrative functions are performed by the City. The activities of the Trust have been included in the Police and Fire Relief and Pension Trust Fund. Separate financial statements for the Pension Trust may be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.
- *The City of Albany Public Facilities Financing Authority* is a financing authority whose purpose is to provide financing assistance to the City for acquiring real property and improvements for the benefit of the City and surrounding areas. The Authority's board is composed of the City Council, all accounting and administrative functions are performed by the City, and the Authority is dependent upon the City for its cash flows. The activities of the Authority have been included in the Public Facilities Financing Authority Debt Service Fund.
- *The City of Albany Reinvestment Agency (Agency)* was activated in the 1998-99 fiscal year pursuant to the State of California Health and Safety Code Section 33000, entitled "Community Redevelopment Law." Its purpose is to prepare and carry out plans for improvements, rehabilitation, and redevelopment of blighted areas with the territorial limits of the City of Albany. The Agency meets the definition of a "component unit", and is presented on a "blended" basis, as if part of the primary government. Although it is a legally separate entity, the governing board of the Agency is comprised of the same membership as the City Council. The City may impose its will on the Agency, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Agency.
- *Albany Municipal Services Joint Powers Authority* was established by the City of Albany and the Albany Reinvestment Agency to employ management employees of the City that are not members of an organized bargaining unit. Members of the City Council serve on the governing board, and the City reimburses the JPA for all expenses. As a result, the Authority's financial activities are related to those of the City and are included in the City's financial statements.

Separate financial statements for the Agency can be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting/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 Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Internal Service Fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary activities of the City are not included in these statements.

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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

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

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 assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

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

Expenditures are generally recognized when incurred under the modified accrual basis of accounting. Principal and interest on general long-term debt is 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. Such amounts thus are not current liabilities of the debt service fund, as their settlement will not require expenditure of existing fund assets.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 90 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, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

The major governmental funds of the City are:

- *General Fund* – This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Capital Projects Fund* – This fund is used to account for major capital projects not provided for in one of the other capital project funds.
- *1996-1 Assessment District Bond Fund* – This fund is used to pay for the acquisition, development and maintenance of open space on Albany Hill; 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.
- *General Obligation Bond 2003* - This fund is used to account for the General Obligation Bond, Series 2003, issued to finance the repair and improvement of recreational facilities; structural improvements to the fire department, police department and city hall buildings; residential street improvements; bike path improvements, construction and safety lighting; create new parks and improve existing parks; and resurface city streets.

Proprietary Fund Financial Statements

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

The City of Albany reports the Sewer Enterprise Fund as a major proprietary fund type. The Sewer Enterprise Fund accounts for sewage treatment and transmission provided to City residents. The cost of these services, including depreciation, is recovered primarily through user charges.

The City's only internal service fund at June 30, 2003 is the Community Development Equipment Reserve Fund. This fund is being used to accumulate resources to be used for replacement of public works and park equipment.

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

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

Additionally, the City reports on the Police and Fire Pension Trust Fund, which accounts for the activities of the City of Albany Police and Fire Relief and Pension Plan.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting.

C. Budgetary Policies

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

1. By June 1, of even-numbered years, the City Administrator submits to the City Council an operating budget and capital improvement budget for the two fiscal years commencing the following July 1. The operating budget includes proposed expenditures and the sources of financing.
2. Public hearings and work sessions are conducted to obtain comments from interested individuals and organizations.
3. The budget is formalized and legally enacted through City Council resolution.
4. All intrafund transfers above \$5,000 require the approval of the City Administrator (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 Administrator 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.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

5. Formal budgetary integration, in the form of the annual budgets, is employed as a management control device during the year for the General Fund, Special Revenue Funds and all Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is achieved through general obligation bond indenture provisions and other debt agreements.
6. Budgets for General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapsed at June 30, 2003, the end of the fiscal year of the current annual budget.

As needed, budgeted amounts are subjected to amendments presented to City Council for approval. Budgeted amounts appearing in these statements are as amended by the City Council through June 30, 2003.

D. Revenue Recognition for the Sewer Enterprise Fund

Sewer service charges are billed and collected by the County Auditor-Controller's Office. Semi-annual payments are due November 1 and February 1 of the fiscal year in which the service is provided. Any charges billed but not received, as of the end of the fiscal year, are accrued.

E. Compensated Absences

City employees have a vested interest in accrued vacation time and twenty-five percent of accrued sick leave time. This accrued leave time will eventually be used by employees or paid-off by the City. The City has obligations for unpaid vacation and sick leave in the amount of \$807,722, of which \$38,069 is recorded as accrued salaries and benefits and \$769,653 is recorded as a non-current liability.

F. Property Tax

Alameda County officials assess property, issue assessments and collect the tax proceeds. The County distributes taxes, plus any related interest and penalties, to the City.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and become delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

G. Cash and Cash Equivalents and Cash Flows

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

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Proprietary fund types operating cash and investments have been used to prepare the statements of cash flows. Debt service reserves with trustees have original maturity terms of more than three months, and are not included as a cash equivalent in the statement of cash flows.

H. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination of employment, retirement, death, or in an emergency as defined by the Plan.

I. New Accounting Pronouncements

Effective July 1, 2002, the City adopted the provisions of GASB No. 34, issued in June 1999; GASB No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* (“GASB No. 37”) issued in June 2001 and GASB No. 38, *Certain Financial Statement Disclosures* (“GASB No. 38”) issued in June 2001.

The Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” establishes a new financial reporting model for state and local governments. This new model requires that at a minimum the basic financial statements of a government include: (1) Management’s discussion and analysis (MD&A) as a component of required supplementary information (RSI), (2) both government-wide financial statements and fund financial statements, (3) notes to the financial statements and (4) RSI other than MD&A.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

K. Prior Period Adjustment

The governmental fund balance of the Albany Community Reinvestment Agency debt service fund at June 30, 2002 has been restated to record advances from the City of Albany (including accrued interest of \$56,403) that was previously not recorded. The effect of this adjustment was to increase advances payable to the City and reduce fund balance by \$442,606 in the Albany Community Reinvestment Agency debt service fund, and the effect on the City’s general fund was to increase advances to the Reinvestment Agency by \$442,606, increase deferred revenue by \$56,403, and increase fund balance by \$386,203.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2 – Summary of Significant Accounting Policies (Continued)

The governmental fund balance of the Capital Projects fund at June 30, 2002 has been restated to record prior years' tax increment pass-throughs totaling \$17,808 related to fiscal 2000 through 2002 that were previously not recorded. The effect of this adjustment was to increase accounts payable and reduce fund balance by \$17,808.

NOTE 3 – Cash and Investments

The City's dependence on property tax receipts and seasonal revenue sources requires it to maintain significant cash reserves to finance operations. The City pools cash from all sources and all funds, except Debt Service Reserves with Trustee, so that they may be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Disclosure for the Albany Police and Fire Relief and Pension Plan investments can be found in Note 11.

A. Summary of Cash and Investments

	Primary Government			Total
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	
Cash and investments	\$ 18,645,795	\$ 1,687,426	\$ 14,770,872	\$ 35,104,093
Debt service reserves held with trustee	466,162	389,018	502,726	1,357,906
Total	\$ 19,111,957	\$ 2,076,444	\$ 15,273,598	\$ 36,461,999
Deposits and cash on hand				\$ 1,357,427
Investments				35,104,572
Total				\$ 36,461,999

B. Cash at June 30, 2003 is presented below, categorized separately to give an indication of the level of risk assessment with each deposit.

	<u>Bank Balance - Category *</u>			<u>Bank Balance Total</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash on hand and in banks	\$ 100,000		\$ 721,139	\$ 821,139	\$ 704,211

* These categories are as follows:

- Category 1: Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 3 – Cash and Investments (Continued)

C. Investments at June 30, 2003 held on behalf of the City of Albany are presented below, categorized separately to give an indication of the level of risk associated with each investment. The following excludes investments of the Albany Police and Fire Relief and Pension Plan, for which information can be found in Note 11.

	Category *			Reported Amount	Fair Value
	1	2	3		
U.S. Treasury Notes	\$ -	\$ -	\$ 962,117	\$ 962,117	\$ 962,117
Uncategorized:					
First American				389,429	389,429
Treasury Obligations (1)					
Goldman Financial					
Treasury Obligations (1)	-	-	-	6,358	6,358
Investment in LAIF (1) (2)	-	-	-	20,654,168	20,712,955
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 962,117</u>	<u>\$ 22,012,072</u>	<u>\$ 22,070,859</u>

*These categories are as follows:

- Category 1: Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but no in the City's name.

- (1) Not subject to categorization
- (2) Investment in state treasurer's pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. The fund is administered by the California State Treasurer. The City deposits excess cash in LAIF for investment purposes. LAIF investments are not required to be categorized. The fair value for these deposits was provided by the pool sponsor. The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2003, the carrying amount of the pool was \$55,422,506,109 and the estimated market value of the pool (including accrued interest) was \$55,709,492,881. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$304,000,000 and asset-backed securities totaling \$985,676,000. LAIF's (and the City's) exposure to risk (credit, market, or legal) is not currently available.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 3 – Cash and Investments (Continued)

D. Authorized Investments

The City's Investment Policy and the California Government Code, allow the City to invest in the following type of investments:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit
- Bankers Acceptance
- Commercial Paper
- Local Agency Investment Fund Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

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.

E. Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment pools/agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and records these gains or losses on their income statement.

Methods and assumptions used to estimate fair value: The City maintains investment accounting records on amortized cost, and adjusts those records to "fair value" for external reporting purpose. The Funds investment custodians provide market values on each investment instrument on a monthly basis. The investments held by the Funds are widely traded in the financial markets, and trading values are readily available from numerous published sources. The Funds have elected to report their money market investments (those investments with maturities of less than one year) at amortized cost adjusted to fair value. Unrealized gains and losses are recorded and the carrying value of their investments are considered "fair value".

State of California State Treasurer's Local Agency Investment Fund (LAIF): The City holds an investment in LAIF that is subject to being adjusted to "fair value". The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holding in LAIF. The City had a contractual withdrawal value of \$20,654,168 whose pro-rata share of fair value was estimated by the state Treasurer to be \$20,712,955. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 3 – Cash and Investments (Continued)

E. Fair Value of Investments (Continued)

The State Treasurer's Local Agency Investment Fund ("LAIF") is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

NOTE 4 – Receivables

Note Receivable

During September 2001, per the employment agreement between the City and the City Administrator, the City loaned the City Administrator \$400,000 to be used toward the purchase of her principal residence. The loan includes interest at one-eighth of a percentage point above the interest that the City earned from LAIF (Local Agency Investment Fund Account) as of the date of the loan. The outstanding principal balance of the loan at June 30, 2003, was \$390,469, and is recorded in the General Fund as a note receivable.

Accounts Receivable

The Buchanan Street – Eastshore Highway Interchange construction project was completed in August 2002, at a total cost of approximately \$4,840,000, of which the City has received reimbursement of \$3,798,099, and has an outstanding claim receivable of \$666,910. An allowance in the amount of \$283,221 has been recorded in the Capital Projects Fund related to these claim receivables as a result of unresolved questions, by the funding sources, related to costs incurred in relocation of water and sewer lines.

NOTE 5 – Capital Assets

Governmental activity capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) general fixed assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is charged to governmental activities, by function.

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

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 5 – Capital Assets (Continued)

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets.

Depreciation of capital assets in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Furniture and Equipment	5-10 years
Sewer transmission lines	50 years
Vehicles	5 years
Buildings	20-50 years
Infrastructure	20-70 years

The following is a summary of capital assets as of June 30, 2003:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated:			
Land and improvements	\$ 7,127,595	\$ -	\$ 7,127,595
Construction in progress	569,802	-	569,802
	<u>7,697,397</u>	<u>-</u>	<u>7,697,397</u>
Depreciable capital assets:			
Buildings	8,125,345	-	8,125,345
Furniture and fixtures	114,262	-	114,262
Machinery and equipment	538,264	6,025	544,289
Vehicles	1,741,389	-	1,741,389
Sewer lines	-	12,407,675	12,407,675
Infrastructure	5,919,387	-	5,919,387
Total	<u>16,438,647</u>	<u>12,413,700</u>	<u>28,852,347</u>
Less: accumulated depreciation	4,240,646	2,058,568	6,299,214
Depreciable capital assets, net	<u>12,198,001</u>	<u>10,355,132</u>	<u>22,553,133</u>
Total capital assets, net	<u>\$ 19,895,398</u>	<u>\$ 10,355,132</u>	<u>\$ 30,250,530</u>

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 5 – Capital Assets (Continued)

Transactions and balances of capital assets were as follows:

	Restated Balances June 30, 2002	Additions	Transfers/ Retirements	Balances June 30, 2003
Governmental activities:				
Land and improvements	\$ 7,182,576	\$ -	\$ 54,981	\$ 7,127,595
Buildings	8,159,207	-	33,862	8,125,345
Furniture and fixtures	412,596	35,582	333,916	114,262
Machinery and equipment	1,479,592	59,948	1,001,276	538,264
Vehicles	1,356,262	101,652	147,568	1,310,346
Infrastructure	5,292,830	626,557	-	5,919,387
Construction in progress	-	569,802	-	569,802
Total	<u>23,883,063</u>	<u>1,393,541</u>	<u>1,571,603</u>	<u>23,705,001</u>
Less: accumulated depreciation	<u>4,901,974</u>	<u>440,735</u>	<u>1,516,622</u>	<u>3,826,087</u>
Net book value	<u>18,981,089</u>	<u>952,806</u>	<u>54,981</u>	<u>19,878,914</u>
Internal service fund fixed assets:				
Equipment	30,888	-	30,888	-
Vehicles	459,943	-	28,900	431,043
Total	<u>490,831</u>	<u>-</u>	<u>59,788</u>	<u>431,043</u>
Less: accumulated depreciation	<u>364,098</u>	<u>110,249</u>	<u>59,788</u>	<u>414,559</u>
Net book value	<u>126,733</u>	<u>(110,249)</u>	<u>-</u>	<u>16,484</u>
Total governmental activities	<u>\$ 19,107,822</u>	<u>\$ 842,557</u>	<u>\$ 54,981</u>	<u>\$ 19,895,398</u>

Depreciation was charged to function as follows:

Governmental activities:	
General government	\$ 14,738
Police	79,866
Fire and emergency medical services	53,114
Community development and environmental resources	235,695
Recreation and community services	167,571
Total governmental activities depreciation expense	<u>\$ 550,984</u>

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 5 – Capital Assets (Continued)

	Balances June 30, 2002	Additions	Retirements	Balances June 30, 2003
Business-type activities:				
Sewer Enterprise Fund fixed assets:				
Sewer lines	\$ 12,407,675	\$ -	\$ -	\$ 12,407,675
Equipment	32,694	-	26,669	6,025
Total	12,440,369		26,669	12,413,700
Less: accumulated depreciation	1,835,886	248,153	25,471	2,058,568
Net book value	<u>\$ 10,604,483</u>	<u>\$ (248,153)</u>	<u>\$ 1,198</u>	<u>\$ 10,355,132</u>

NOTE 6 – Governmental Activities Debt

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

Debt-Governmental Activities	Balances June 30, 2002	Additions	Retirements	Balances June 30, 2003
1997 Refunding COPS 4.25-4.8%, 9/1/12	\$ 3,620,000	\$ -	\$ 305,000	\$ 3,315,000
2003 general obligation bonds 3.00-4.00%, 8/1/33	-	8,000,000	-	8,000,000
Capital leases				
1997 Fire truck, 6.1%, 2/15/2007	117,105	-	20,920	96,185
2001 vehicle lease	17,769	-	4,032	13,737
2002 Tax and Revenue Anticipation Bonds	-	4,000,000	4,000,000	-
	3,754,874	12,000,000	4,329,952	11,424,922
Arbitrage on the \$6,230,000 Limited Obligation Improvement Bonds (see Note 7)	63,599	-	63,599	-
Arbitrage on the 1997 Refunding COPS	-	4,100	-	4,100
Landfill postclosure costs	750,000	-	-	750,000
Workers' compensation	-	335,741	-	335,741
Compensated absences-noncurrent	749,312	20,341	-	769,653
	<u>\$ 5,317,785</u>	<u>\$ 12,360,182</u>	<u>\$ 4,393,551</u>	<u>\$ 13,284,416</u>

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 6 – Governmental Activities Debt (Continued)

Workers' compensation and compensated absences liabilities are generally liquidated by the general fund. The City anticipates securing governmental grant funding for liquidation of the landfill post closure costs.

A. 1997 Refunding COPS

On December 1, 1997 the City issued \$4,760,000 in Refunding Certificates of Participation (COPS) with interest rates ranging from 4.25 percent to 4.80 percent, to advance refund the \$1,465,000 1989 Refunding COPS with interest rates ranging from 6.6 percent to 7.85 percent, and the \$2,980,000 1992 Refunding COPS with interest rates ranging from 4.75 percent to 6.9 percent. The Net proceeds of \$ 4,579,934 (after payment of \$180,466 in underwriting fees, insurance, and other issuance costs) plus an additional \$500,516 of 1989 and 1992 reserve funds, were deposited into trust to defease the 1989 and 1992 bonds. The 1989 and 1992 lease revenue bonds that have been advanced refunded financed improvements to the maintenance center, and the acquisition of the Library/Community Center complex site and construction of the Center. The 1997 COPS are collateralized by the City's non-cancelable lease covering the Library/Community Center Complex, which terminates September 1, 2012.

B. 2003 General Obligation Bonds

In November 2002, voters passed a ballot measure authorizing the issuance of general obligation bonds in the amount of \$14,500,000, the proceeds to be used for various capital improvements over a period of several years. In June 2003, the City issued \$8,000,000 of the bonds. 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 1st, 2033.

C. Capital Leases

On February 15, 1997, the City leased a fire truck in the amount of \$206,070. The lease requires annual principal and interest payments each February 15th. The City is using General Fund resources to make lease payments. Future lease payments are detailed below.

The City entered into a lease agreement during the 2000-2001 fiscal year to acquire a vehicle. The lease requires annual lease payments of \$5,187. The City is using the General Fund resources to make these payments. Future lease payments are detailed below.

D. 2002 Tax and Revenue Anticipation Bonds

The City participated in the California Statewide Communities Development Authority 2002 Tax and Revenue Anticipation Bond Program. The City's share of the 2002 issuance was \$4,000,000. The bonds were dated July 1, 2002, with an interest rate of 3.00 percent. The bonds matured on June 30, 2003. The bonds were sold to provide cash flow for expenditures for capital construction, to be reimbursed by CalTrans, and for operating expenditures.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 6 – Governmental Activities Debt (Continued)

E. Compensated Absences

The current portion of compensated absences of \$38,069 is included in accrued salaries and benefits, and the non-current portion of compensated absences amounted to \$769,653 at June 30, 2003.

F. Arbitrage

The City has completed arbitrage calculations for the Limited Obligation Improvement Bond issuance. The calculations show no liability as of June 30, 2003, and the City has reversed the prior year accrual of \$63,599.

G. Landfill Postclosure Costs

See Note 14 for a complete discussion of the postclosure costs.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 6 – Governmental Activities Debt (Continued)

H. Future Governmental Activities Debt Service

Remaining Debt Service Schedules for the COPS, general obligation bonds and lease purchases are as follows:

	Principal			Interest		
	1997 COPS	2003 GO	Total	1997 COPS	2003 GO	Total
		Bonds			Bonds	
2004	\$ 320,000	\$ -	\$ 320,000	\$ 146,796	\$ 211,850	\$ 358,646
2005	325,000	125,000	450,000	132,766	315,276	448,042
2006	345,000	160,000	505,000	117,853	309,576	427,429
2007	360,000	165,000	525,000	101,900	303,076	404,976
2008	375,000	165,000	540,000	85,085	296,476	381,561
2009-2013	1,590,000	900,000	2,490,000	173,794	1,377,880	1,551,674
2014-2018	-	1,075,000	1,075,000	-	1,203,892	1,203,892
2019-2023	-	1,305,000	1,305,000	-	996,061	996,061
2024-2028	-	1,625,000	1,625,000	-	706,068	706,068
2029-2033	-	2,020,000	2,020,000	-	319,906	319,906
2034-2038	-	460,000	460,000	-	9,775	9,775
Totals	\$ 3,315,000	\$ 8,000,000	\$ 11,315,000	\$ 758,194	\$ 6,049,836	\$ 6,808,030

	Principal			Interest		
	1997 Lease	2001 Lease	Total	1997 Lease	2001 Lease	Total
2004	\$ 22,101	\$ 4,294	\$ 26,395	\$ 5,434	\$ 893	\$ 6,327
2005	23,350	4,573	27,923	4,186	614	4,800
2006	24,670	4,870	29,540	2,866	317	3,183
2007	26,064	-	26,064	1,473	-	1,473
Totals	\$ 96,185	\$ 13,737	\$ 109,922	\$ 13,959	\$ 1,824	\$ 15,783

General Fund, Sewer Fund and Landscape and Lighting Special Revenue Fund revenues are used to service the COPS.

The City is required to maintain amounts of cash and investments with trustees or fiscal agents under the terms of the above debt issue. These funds are pledged as reserves to be used if the City fails to meet its obligations under debt issues. These reserves totaled \$466,162 and \$489,503, respectively at June 30, 2003 and 2002.

The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. All these funds have been invested as permitted under the Code.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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 will be 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, 2003 is \$5,585,000.

NOTE 8 – Business-Type Activities Debt

On October 1, 1993, Sewer Revenue Bonds in the amount of \$4,885,000 were issued to provide financing for the initial improvements in a twenty-year rehabilitation plan to upgrade the City's sewer system. The bonds mature serially, each September 1, and semi-annual interest payments are due each September 1 and March 1.

The Bonds are special obligations of the City and are secured by and payable solely from operating revenue of the Sewer Enterprise Fund. Bonds maturing after September 1, 2013 are subject to mandatory redemption, at par plus accrued interest. These mandatory redemptions are to be made from sinking fund payments made by the City in the year of redemption. Bonds maturing on or after September 1, 2001 may be redeemed at par plus a 2 percent premium, which decreases until September 1, 2003, at which time they may be redeemed at par.

The City is required to maintain amounts of cash and investments with a trustee under the terms of the Sewer Revenue Bond issue. The California Government Code requires these funds to be invested in accordance with the underlying City ordinance, bond indentures, or State statute. All of these funds have been invested as permitted under the Code.

These funds are pledged as reserves to be used if the City fails to meet its obligations under the Sewer Revenue Bond issue. These reserves totaled \$389,018 and \$390,428, respectively at June 30, 2003 and 2002.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 8 – Business-Type Activities Debt (Continued)

During this fiscal year, a principal payment of \$215,000 was paid to reduce the debt. Annual debt service payment requirements to repay the Sewer Revenue Bonds at June 30, 2003 are:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 225,000	\$ 144,574	\$ 369,574
2005	240,000	134,633	374,633
2006	250,000	123,847	373,847
2007	260,000	112,243	372,243
2008	275,000	99,800	374,800
2009-2013	1,595,000	284,644	1,879,644
2014-2018	370,000	8,788	378,788
	<u>\$ 3,215,000</u>	<u>\$ 908,529</u>	<u>\$ 4,123,529</u>

NOTE 9 – Fund Equity

The following funds have deficits in fund balances or retained earnings at June 30, 2003:

Major funds:	
Capital Projects	\$1,256,961
Other governmental funds:	
Capital Projects - Reinvestment	\$ 312,509
Debt Service - Reinvestment	\$ 426,778

Capital Projects: The deficit fund balance reflects unreimbursed expenditures on a \$4.8 million highway construction project that was completed in August 2002. The project is funded by CalTrans, who is in the process of reviewing the final reimbursement claim. Should CalTrans disallow these expenditures, the City will utilize other capital project funds to close this project account. This fund was also utilized to record expenditures incurred in repair of the Albany Community Center building. The building sustained water damage due to construction defects. The repairs were completed shortly after the end of the fiscal year, and litigation is in progress. While full recovery of all repair expenses are expected, any expenses not reimbursed will be charged against other capital project funds.

Capital Projects – Reinvestment: The establishment of the Albany Reinvestment Authority was funded by advances to the Agency from the City of Albany General Fund. As revenues are available to repay the General Fund, the Reinvestment Agency deficit fund balance will be eliminated.

Debt Service – Reinvestment: The Reinvestment Agency incurred a debt to the City of Albany General Fund of \$400,000, so as to pay the local share match of the cost of the construction of the Buchanan-Eastshore Highway interchange construction. The loan is scheduled to be repaid over four years, from property tax increment revenue. Repayment of the loan will result in elimination of the negative fund balance in the Debt Service Fund.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 10 – Interfund Transactions

Operating Transfers

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
MAJOR GOVERNMENTAL FUNDS		
General	\$ 2,327,852	\$ 426,211
Capital Projects	352,362	-
Total major funds	2,680,214	426,211
NON-MAJOR GOVERNMENTAL FUNDS		
Special revenue funds:		
Gas Tax	-	386,342
Community Development Block Grant	-	217,362
Streets	50,000	-
Alameda County Measure B	-	306,000
Waste Management	-	135,000
Lighting and Landscape Assessment District	-	381,360
Open Space	5,600	-
Emergency Medical Services	-	850,240
Recreational Playfields	2,800	-
Creek Restoration	2,800	-
Chief Operator Grant	29,643	-
Local Law Enforcement	-	8,410
	90,843	2,284,714
Debt service funds:		
Debt Service APFFA	404,547	-
	404,547	-
Capital projects funds:		
Fire Equipment	49,536	-
Police Equipment	75,158	-
	124,694	-
Total non-major governmental funds	620,084	2,284,714
Internal Service Funds:		
Community Development Equipment	50,000	-
General Liability	-	99,857
Workers' Compensation	230,284	-
Total internal service funds	280,284	99,857
PROPRIETARY FUND (Sewer Fund)	10,000	768,600
AGENCY FUNDS (1996-1 Assessment District)	-	11,200
Total Interfund Transfers	\$ 3,590,582	\$ 3,590,582

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 10 – Interfund Transactions (Continued)

Interfund Balances

The following is a summary of interfund balances as of June 30, 2003:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
MAJOR GOVERNMENTAL FUNDS		
General fund	\$ 2,052,296	\$ -
Capital Projects	-	1,469,250
1996-1 Assessment District Bond Fund	-	311,824
Total major funds	<u>2,052,296</u>	<u>1,781,074</u>
NON-MAJOR GOVERNMENTAL FUNDS		
Special revenue funds:		
Community Development Block Grant	-	19,044
Emergency Medical Services	-	52,330
Chief Operator Grant	-	199,848
Total non-major governmental funds	<u>-</u>	<u>271,222</u>
Total	<u>\$ 2,052,296</u>	<u>\$ 2,052,296</u>

Funds are primarily borrowed from the General Fund to cover current cash flow requirements. The amounts shown above are expected to be repaid in the following fiscal year.

Advances to and from other funds at June 30, 2003 were as follows:

<u>Fund</u>	<u>Other Funds</u>	<u>Other Funds</u>
MAJOR GOVERNMENTAL FUNDS		
General	\$ 851,836	\$ -
Total major governmental funds	<u>851,836</u>	<u>-</u>
NON-MAJOR GOVERNMENTAL FUNDS		
Debt Service - Reinvestment	-	451,836
Capital Projects - Reinvestment	-	400,000
Total non-major governmental funds	<u>-</u>	<u>851,836</u>
	<u>\$ 851,836</u>	<u>\$ 851,836</u>

The General Fund advanced certain monies on behalf of the Debt Service – Reinvestment Fund to finance certain costs and expenses, as set forth in the Cooperation Agreement between the City and

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 10 – Interfund Transactions (Continued)

the Albany Community Reinvestment Agency. Under the terms of the agreement, interest is accrued at rates based on the current Local Agency Investment Fund rate. Any unpaid accrued interest is added to the total obligation on an annual basis. At June 30, 2003, the balance of Principal and interest was \$451,836. The total obligation is subordinate to any external debt of the Agency as well as the \$400,000 advance discussed below. The Agency expects to repay the obligation using future incremental tax revenues. There is no fixed due date for repayment.

The \$400,000 advance from the General Fund to the Capital Projects – Reinvestment Fund was made for the specific purpose of providing funds for the development of the Buchanan-Eastshore Highway Interchange project located in the Cleveland Avenue/Eastshore Highway Project Area. This advance is expected to be repaid commencing in Fiscal Year 2004-05, in principal installments of \$100,000 plus interest at rates based on the current Local Agency Investment Fund rate.

NOTE 11 – Albany Police and Fire Relief and Pension Plan

A. Plan Description

The Albany Police and Fire Relief and Pension Plan (Plan) is a sole employer defined benefit pension plan for the City of Albany's police and fire employees hired before July 1, 1971. The Plan is closed to new participants. Participants in the plan are as follows:

Terminated vested participants	
Retired	16
Disabled	10
Survivor	<u>6</u>
	<u>32</u>

Employees who retire, regardless of age, with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two-thirds of the amount of the average yearly compensation attached to the rank he or she held during three years preceding retirement. A member may retire with an early allowance (computed in the same manner as above, but reduced by one-thirtieth for each year of service less than thirty) after attaining age 50 and with 25 years credited service. The Plan also provides death, disability, and survivor benefits. These benefit provisions and all other requirements are established by City Charter.

B. Cash and Investments

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

The Plan's Investment Policy and the California Government Code allow the Plan to invest in the following type of investments:

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 11 – Albany Police and Fire Relief and Pension Plan (Continued)

- Fixed Income Securities – Fixed income securities include U.S. Government Obligations, federally sponsored credit agency securities, corporate bonds, Canadian government bonds, Yankee bonds, non-governmental asset-backed securities, collateralized mortgage obligations rated investment grade, money market funds, STIF accounts, certificates of deposit, bankers acceptances, commercial paper, or any other short-term securities rated investment grade Guaranteed Investment Contracts rated A+ by A. M. Best Company.
- Equity Securities – Equity securities are comprised of common stocks, convertible and non-convertible preferred stocks, convertible debt securities, and American Depository Receipts (ADRs) of foreign 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 set forth in the investment policy. No more than 5 percent of any single equity portfolio may be invested in one equity security at cost. Except for securities issued by the U.S. Government and its agencies, no more than 5 percent of any single fixed income portfolio based on market value shall be invested in securities of any one issuing corporation at the time of purchase.
- Common and convertible preferred stocks should be of investment grade quality and listed on the New York Stock Exchange, American Stock Exchange, NASDAQ system, or national market exchange. Fixed income securities must have a rating of BBB or higher by Standard & Poor's or Baa or higher by Moody's.

The Plan's assets (except for LAIF) are in the bank's name, but are held by its Trust Department in a separate account in the Plan's name, placing them in Category 2. The definition of Category 2 is defined in the Note 3C description. The fair value and cost of the Plan's assets was as follows at June 30, 2003:

<u>Description</u>	<u>Fair Value</u>	<u>Cost</u>
U.S. Government Securities	\$ 4,995,333	\$ 4,706,552
Corporate bonds and debentures	3,425,558	2,972,275
Common stock	4,401,226	3,737,355
Investment pools - LAIF	270,383	270,383
Money market funds	653,216	653,216
Total	<u>\$ 13,745,716</u>	<u>\$ 12,339,781</u>

C. Funding Status and Progress

The actuarial accrued liability presented below was determined as part of an actuarial valuation at June 30, 2003. The projected unit cost method and significant actuarial assumptions were used in determining the actuarial accrued liability and included: (a) a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, and (b) projected inflation rate of 4.5 percent per year. The Plan's unfunded actuarial accrued liability is projected to be fully funded by June 30, 2004.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 11 – Albany Police and Fire Relief and Pension Plan (Continued)

In valuing Plan assets used in determining funding status, the actuary spreads realized and unrealized gains and losses over five years. That is only 20 percent of realized and unrealized gains and losses are recognized in any one-year. These modified asset values are called the Actuarial Book Value.

The unfunded actuarial accrued liability for participants at June 30, 2003 is as follows:

Actuarial accrued liability	
Retirees and beneficiaries currently receiving benefits	\$ 14,950,360
Current employees vested	-
Total actuarial accrued liability	<u>14,950,360</u>
Actuarial book value of assets available for benefits	<u>14,415,847</u>
Unfunded actuarial accrued liability	<u>\$ 534,513</u>

D. Contribution Requirements and Contribution Made

Contributions are based on the City Charter, which requires the City to contribute 9 percent of gross wages and active plan participants to contribute 9 percent of gross wages. Active plan participant's contributions are reduced to zero percent, and the City's required contribution is increased to 18 percent in accordance with the current union contract. There are no active plan participants as of June 30, 2003 and the plan is closed to new participants.

The required contributions described above were not sufficient to adequately fund the actuarial accrued liability of the Plan. As a result, since 1982 the City has levied a voter-approved property tax override based on assessed value of real property. All property tax override levies from 1982 through June 30, 2003 have been contributed to the Plan. The current actuarial study indicates that with these additional contributions, the unfunded actuarial accrual liability will be amortized by June 30, 2004.

The revenues from this tax have been accounted for as a revenue and an expenditure in the City's general fund. Thus, the employer contribution on the combined statement of changes in net assets for the Police and Fire Relief Pension Fund includes these property taxes passed directly through from the general fund.

Contributions were paid as follows for the year ended June 30, 2003:

	Amount	% of Covered Payroll
Contributions required by City Charter	<u>\$ 5,770</u>	<u>18%</u>
Property tax override contributions	<u>\$ 1,251,176</u>	

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 11 – Albany Police and Fire Relief and Pension Plan (Continued)

E. Contributions

Annual contributions received by the Plan were as follows:

<u>Fiscal Year</u>	<u>Employee</u>	<u>Employer</u>	<u>Pension Tax Override</u>	<u>Total</u>
1993-1994	\$ 24,299	\$ 24,299	\$ 774,182	\$ 822,780
1994-1995	20,704	20,704	783,008	824,416
1995-1996	23,738	23,738	815,722	863,198
1996-1997	19,110	19,110	853,184	891,404
1997-1998	17,396	17,396	859,910	894,702
1998-1999	18,451	18,451	943,373	980,275
1999-2000	14,798	14,798	1,046,235	1,075,831
2000-2001	11,175	11,175	1,006,065	1,028,415
2001-2002	7,199	7,199	1,164,678	1,179,076
2002-2003	2,885	2,885	1,251,176	1,256,946

F. The City implemented Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" during the 1996-97 fiscal year.

G. Separate stand-alone financial statements for the Police and Fire Relief and Pension Plan can be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.

NOTE 12 – PERS Pension Plan

A. Plan Description

The City of Albany contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, California 95814.

B. Funding Policy

Participants are required to contribute 7 percent (9 percent for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; for the fiscal year 2003, the rate was 5.571 percent for non-safety employees, 5.653 percent for police employees, and 6.696 percent for fire employees, of annual covered payroll. The contribution requirements of plan members and the City are established by and may be amended by PERS.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 12 – PERS Pension Plan (Continued)

C. Annual Pension

For fiscal 2003, the City's annual pension cost of \$785,211 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service age, and type of employment, and (c) 3.75 percent per year payroll growth. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). Unfunded actuarial accrued liabilities and excess assets are being amortized, using the level percentage of payroll method, over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. As of the June 30, 2002 valuation date, the average remaining amortization period was 12 years for the fire employees' plan, 9 years for the police employees' plan, 22 years for the miscellaneous City employees' plan, and 32 years for the miscellaneous JPA employees' plan.

D. Three Year Trend Information – Combined Contributions Made

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2001	\$ 471,712	100%
6/30/2002	\$ 576,340	100%
6/30/2003	\$ 785,211	100%

E. Social Security

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing systems as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's Local 790 union members and part-time employees are covered under Social Security, which requires these employees and the City to each contribute 6.2 percent of the employee's pay. Total contributions to Social Security during the year ended June 30, 2003 amounted to \$143,776 of which the City paid one-half.

The City's seasonal and temporary employees are covered under an ICMA alternative plan, which requires these employees to contribute 7.5 percent of the employees pay. Total contributions to the plan during the year, ended June 30, 2003 amounted to \$12,768. There are no matching contribution requirements for the City.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 13 – Risk Management

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

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

A. Risk Pools

Bay Cities Joint Powers (BCJPIA) Insurance Authority covers general liability claims in an amount up to \$14,000,000. The City has a deductible or uninsured liability of up to \$25,000 per claim. Once the City's deductible is met BCJPIA becomes responsible for payments of all claims up to the limit. During the fiscal year ended June 30, 2003, the City contributed \$224,522 for coverage during the current year.

Condensed audited financial information of BCJPIA at and for the fiscal year ended June 30, 2003 is as follows:

Total assets	\$8,002,188
Total liabilities	4,013,439
Retained earnings	<u>\$3,988,749</u>
Total revenues	\$5,874,857
Total expenditures	4,079,982
Net income	<u>\$1,794,875</u>

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 \$2 million coverage provided by its pool. The City has a self-insured retention of \$250,000 for claims, and the BCJPIA pool covers claims from \$250,000 to \$500,000. Claims from \$500,000 to \$2 million 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 fiscal year ended June 30, 2003, the City incurred costs of \$98,224 for coverage premiums and administration of the risk pools.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 13 – Risk Management (Continued)

During the past three 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 & Associates, 1020 19th Street, Suite 200, Sacramento, CA 95814.

B. Liability for Uninsured Claims

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported, based on claims experience. Claims activity for the years ended June 30, 2003 and June 30, 2002 were as follows:

	<u>2003</u>			Fiscal
	<u>Workers'</u>	<u>General</u>	<u>Total</u>	2002
	<u>Compensation</u>	<u>Liability</u>		<u>Total</u>
Claims payable, beginning of year	\$ 1,503,259	\$ 238,153	\$ 1,741,412	\$ 983,901
Claims liabilities for new cases	890,000	171,735	1,061,735	665,985
Increase (decrease) in claims	(123,870)	(129,102)	(252,972)	320,613
Claim payments	<u>(30,389)</u>	<u>(8,943)</u>	<u>(39,332)</u>	<u>(229,087)</u>
Claims payable, end of year	<u>\$ 2,239,000</u>	<u>\$ 271,843</u>	<u>\$ 2,510,843</u>	<u>\$ 1,741,412</u>
Less claims payable - current	\$ 1,903,259	\$ 271,843	\$ 2,175,102	
Claims payable - non-current	<u>335,741</u>	<u>-</u>	<u>335,741</u>	
Total claims payable	<u>\$ 2,239,000</u>	<u>\$ 271,843</u>	<u>\$ 2,510,843</u>	

NOTE 14 – Landfill Postclosure Costs

The City of Albany operated a Class III landfill (construction debris only), in a 36 acre site know as the Albany Bulb, until 1974. In 1999 the California Regional Water Control Board issued a closure order for this 36 acre site. Engineering estimates for closure and post-closure cost of environmental enhancements required to comply with the closure order range from \$280,000 to \$750,000 based upon 1999 estimates. Estimated costs may change due to inflation or modification of regulatory requirements at the time closure is performed. The City has accrued a liability of \$750,000 related to the estimated closure costs. The City anticipates securing governmental grant funding for the landfill closure.

NOTE 15 – Related Party Transaction

During September 2001, per the employment agreement between the City and the City Administrator, the City loaned the City Administrator \$400,000 to be used toward the purchase of her principal residence. The outstanding principal balance of the loan at June 30, 2003, was \$390,469 (see Note 4).

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 16 – Contingent Liabilities

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

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

REQUIRED

SUPPLEMENTARY

INFORMATION

CITY OF ALBANY

Pension Plans

Schedule of Funding Progress (Unaudited)

PERS:

	Valuation Date	(b) Entry Age Actuarial Accrued Liability	(a) Actuarial Asset Value	(c) Unfunded Liability/ (Excess Assets)	(a)/(b) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL as a Percentage of Payroll
Safety Police	6/30/2000	\$ 10,334,262	\$ 12,302,293	\$ (1,968,031)	119%	\$ 1,848,332	-106%
	6/30/2001	\$ 11,110,477	\$ 12,739,986	\$ (1,629,509)	115%	\$ 1,892,295	-86%
	6/30/2002	\$ 11,970,815	\$ 12,009,712	\$ (38,897)	100%	\$ 2,023,113	-2%
	6/30/2003			*** not available ***			
Safety Fire	6/30/2000	\$ 7,057,675	\$ 8,054,905	\$ (997,230)	114%	\$ 1,349,515	-74%
	6/30/2001	\$ 7,675,139	\$ 8,331,086	\$ (655,947)	109%	\$ 1,429,221	-46%
	6/30/2002	\$ 8,478,731	\$ 7,946,007	\$ 532,724	94%	\$ 1,556,527	34%
	6/30/2003			*** not available ***			
Miscellaneous	6/30/2000	\$ 7,615,130	\$ 9,908,159	\$ (2,293,029)	130%	\$ 2,078,430	-110%
	6/30/2001	\$ 8,243,994	\$ 10,248,523	\$ (2,004,529)	124%	\$ 2,170,659	-92%
	6/30/2002	\$ 8,768,221	\$ 9,594,496	\$ (826,275)	109%	\$ 2,272,634	-36%
	6/30/2003			*** not available ***			

Albany Police and Fire Relief Pension Plan:

Valuation Date	(b) Entry Age Actuarial Accrued Liability	(a) Actuarial Asset Value	(c) Unfunded Liability/ (Excess Assets)	(a)/(b) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL as a Percentage of Payroll
1991	\$ 12,763,000	\$ 5,144,000	\$ 7,619,000	40%	\$ 468,800	1625%
1992	14,785,000	5,477,000	9,308,000	37%	440,540	2113%
1993	14,785,000	5,869,000	8,916,000	40%	476,607	1871%
1994	14,785,000	6,272,000	8,513,000	42%	269,989	3153%
1995	14,528,411	7,076,325	7,452,086	49%	230,459	3234%
1998*	14,861,531	9,613,552	5,247,979	65%	197,328	2660%
2000*	16,020,009	11,452,836	4,567,173	71%	162,826	2805%
2002	15,573,854	13,453,340	2,120,514	86%	79,385	2671%
2003	14,950,360	14,415,847	534,513	96%	32,055	1667%

* The Pension System did not perform an actuarial valuation for fiscal years 1995-96, 1996-97, and 1998-99 and 2000-01.

CITY OF ALBANY

Nonmajor Governmental Funds

Other Special Revenue Funds - accounts for revenues derived from specific revenue sources. These funds are required by statute or ordinance to finance particular functions or activities of government.

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

Other Debt Service Funds - accounts for financial resources to be used for payment for City's long-term debt.

CITY OF ALBANY
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2003

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Operating cash and investments	\$ 1,854,572	\$ 974,820	\$ 175,770	\$ 3,005,162
Debt service reserves held with trustee	-	-	466,162	466,162
Receivables:				
Property taxes	20,960	-	-	20,960
Other taxes	89,984	121	-	90,105
Accounts	357,120	39,309	-	396,429
Total assets	<u>\$ 2,322,636</u>	<u>\$ 1,014,250</u>	<u>\$ 641,932</u>	<u>\$ 3,978,818</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 99,102	\$ 32,013	\$ -	\$ 131,115
Accrued salaries & benefits	6,852	1,638	-	8,490
Accrued liabilities	7,764	1,004	44,032	52,800
Due to other funds	271,222	-	-	271,222
Deferred revenue	111,406	-	-	111,406
Advance from other funds	-	400,000	451,836	851,836
Total liabilities	<u>496,346</u>	<u>434,655</u>	<u>495,868</u>	<u>1,426,869</u>
Fund balances:				
Reserved	-	892,104	572,842	1,464,946
Designated	1,826,290	-	-	1,826,290
Unreserved (deficit)	-	(312,509)	(426,778)	(739,287)
Total fund balances	<u>1,826,290</u>	<u>579,595</u>	<u>146,064</u>	<u>2,551,949</u>
Total liabilities and fund balances	<u>\$ 2,322,636</u>	<u>\$ 1,014,250</u>	<u>\$ 641,932</u>	<u>\$ 3,978,818</u>

CITY OF ALBANY**Nonmajor Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2003**

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$2,826,640	\$ 48,030	\$ -	\$ 2,874,670
Earnings on investments	48,535	17,819	11,601	77,955
Revenues from other agencies	1,665,892	64,342	-	1,730,234
Current services charges	407,434	40,116	-	447,550
Total revenues	4,948,501	170,307	11,601	5,130,409
EXPENDITURES				
Current:				
General government	1,251,176	-	28,286	1,279,462
Police	441,452	-	-	441,452
Fire and emergency medical services	2,276	-	-	2,276
Community development and environmental resources	738,098	99,839	-	837,937
Recreation and community services	455,610	-	-	455,610
Capital outlay	-	613,671	-	613,671
Debt service:				
Principal	-	24,952	305,000	329,952
Interest	-	8,240	169,386	177,626
Total expenditures	2,888,612	746,702	502,672	4,137,986
REVENUES OVER (UNDER) EXPENDITURES	2,059,889	(576,395)	(491,071)	992,423
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	91,787	91,787
Operating transfers in	90,843	124,694	404,547	620,084
Operating transfers out	(2,284,714)	-	-	(2,284,714)
Total other financing sources (uses)	(2,193,871)	124,694	496,334	(1,572,843)
Net change in fund balances	(133,982)	(451,701)	5,263	(580,420)
Fund balances, beginning of year	1,960,272	1,049,104	583,407	3,592,783
Prior period adjustment	-	(17,808)	(442,606)	(460,414)
Fund balances, end of year	\$1,826,290	\$ 579,595	\$146,064	\$ 2,551,949

CITY OF ALBANY

Other 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 Other Special Revenue Funds and revenue sources are:

Waterfront Fund - accounts for the activities relating to the Regional Water Quality Central Board Closure Order and site security-population issues.

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.

Community Development Block Grant 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.

Street Fund - accounts for capital street improvements. Monies are transferred from other funds to pay for expenditures.

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

Storm Drain Fund - accounts for revenue and expenditures for programs and activities used to prevent non-point source pollution.

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

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.

M.T.C. Tax Scrip Fund - accounts for reimbursement and purchase of van vouchers and taxi scrip.

Lighting and Landscape Assessment District Fund - 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.

Asset Forfeiture Fund - 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.

Emergency Medical Services Fund - accounts for revenue received from emergency medical services including ambulance fees and Emergency Medical District assessments. These funds are expended for emergency medical services provided by the City.

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.

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.

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.

Park Bond Fund - accounts for monies received for the City's per capita and block grant awards from the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Acts of 2000 and 2002. These funds are used for rehabilitation and restoration of parks and recreation facilities.

Reinvestment Low-Moderate Housing - accounts for the set-aside requirements for the tax increment received from the redevelopment area.

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

Chief Operator Grant Fund - accounts for Office of Traffic Safety reimbursement for the contracted time and materials for the Chief Operator program that promotes safe driving to teens.

Pension Property Tax Fund - accounts for the property tax override passed by the voters to fund City retirement plans contributions.

CITY OF ALBANY
Other Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Waterfront	Gas Tax	Community Development Block Grant	Streets	Library Operations	Storm Drain	Alameda County Measure B
ASSETS							
Operating cash and investments	\$ -	\$ 44,280	\$ -	\$ 83,489	\$ 11,030	\$ 466,823	\$ 5,734
Receivables:							
Property taxes	-	-	-	-	5,395	2,926	-
Other taxes	-	34,191	-	-	-	-	51,628
Accounts	-	11,390	49,407	-	-	-	-
Total assets	\$ -	\$ 89,861	\$ 49,407	\$ 83,489	\$ 16,425	\$ 469,749	\$ 57,362
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 25,736	\$ 5,802	\$ -	\$ 23,311	\$ -
Accrued salaries & benefits	-	-	215	-	-	2,179	-
Accrued liabilities	-	-	4,412	189	-	467	-
Due to other funds	-	-	19,044	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	-	49,407	5,991	-	25,957	-
Fund balances:							
Unreserved-designated	-	89,861	-	77,498	16,425	443,792	57,362
Total fund balances	-	89,861	-	77,498	16,425	443,792	57,362
Total liabilities and fund balances	\$ -	\$ 89,861	\$ 49,407	\$ 83,489	\$ 16,425	\$ 469,749	\$ 57,362

Continued
on next page

CITY OF ALBANY

Other Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2003

	Waste Management	M.T.C. Taxi Scrip	Lighting and Landscape Assessment District	Asset Forfeiture	Emergency Medical Services	Open Space	Recreational Playfields
ASSETS							
Operating cash and investments	\$ 6,614	\$ 799	\$ 713,014	\$ 1,615	\$ -	\$ 97,956	\$ 20,601
Receivables:							
Property taxes	-	-	7,495	-	5,144	-	-
Other taxes	-	4,133	-	-	-	-	-
Accounts	20,000	-	-	-	52,740	-	-
Total assets	<u>\$ 26,614</u>	<u>\$ 4,932</u>	<u>\$ 720,509</u>	<u>\$ 1,615</u>	<u>\$ 57,884</u>	<u>\$ 97,956</u>	<u>\$ 20,601</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,982	\$ 2,494	\$ 11,543	\$ -	\$ 388	\$ 61	\$ -
Accrued salaries & benefits	1,099	415	214	-	-	-	-
Accrued liabilities	-	-	-	-	22	2,674	-
Due to other funds	-	-	-	-	52,330	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>5,081</u>	<u>2,909</u>	<u>11,757</u>	<u>-</u>	<u>52,740</u>	<u>2,735</u>	<u>-</u>
Fund balances:							
Unreserved-designated	21,533	2,023	708,752	1,615	5,144	95,221	20,601
Total fund balances	<u>21,533</u>	<u>2,023</u>	<u>708,752</u>	<u>1,615</u>	<u>5,144</u>	<u>95,221</u>	<u>20,601</u>
Total liabilities and fund balances	<u>\$ 26,614</u>	<u>\$ 4,932</u>	<u>\$ 720,509</u>	<u>\$ 1,615</u>	<u>\$ 57,884</u>	<u>\$ 97,956</u>	<u>\$ 20,601</u>

Continued
on next page

CITY OF ALBANY

Other Special Revenue Funds

Combining Balance Sheet (Continued)

June 30, 2003

	Creek Restoration	Park Bond	Reinvestment Low-Mod Housing	Law Enforcement Grants	Chief Operator Grant	Pension Property Tax	Total Other Special Revenue Funds
ASSETS							
Operating cash and investments	\$ 102,817	\$ 113,600	\$ 51,952	\$ 18,062	\$ 116,186	\$ -	\$ 1,854,572
Receivables:							
Property taxes	-	-	-	-	-	-	20,960
Other taxes	-	-	32	-	-	-	89,984
Accounts	-	-	-	-	223,583	-	357,120
Total assets	<u>\$ 102,817</u>	<u>\$ 113,600</u>	<u>\$ 51,984</u>	<u>\$ 18,062</u>	<u>\$ 339,769</u>	<u>\$ -</u>	<u>\$ 2,322,636</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 25,785	\$ -	\$ 99,102
Accrued salaries & benefits	-	-	-	-	2,730	-	6,852
Accrued liabilities	-	-	-	-	-	-	7,764
Due to other funds	-	-	-	-	199,848	-	271,222
Deferred revenue	-	-	-	-	111,406	-	111,406
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,769</u>	<u>-</u>	<u>496,346</u>
Fund balances:							
Unreserved-designated	102,817	113,600	51,984	18,062	-	-	1,826,290
Total fund balances	<u>102,817</u>	<u>113,600</u>	<u>51,984</u>	<u>18,062</u>	<u>-</u>	<u>-</u>	<u>1,826,290</u>
 Total liabilities and fund balances	 <u>\$ 102,817</u>	 <u>\$ 113,600</u>	 <u>\$ 51,984</u>	 <u>\$ 18,062</u>	 <u>\$ 339,769</u>	 <u>\$ -</u>	 <u>\$ 2,322,636</u>

CITY OF ALBANY**Other Special Revenue Funds****Combining Statement of Revenue, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2003**

	Waterfront	Gas Tax	Community Development Block Grant	Streets	Library Operations	Storm Drain	Alameda County Measure B
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 409,117	\$ 290,241	\$ -
Earnings on investments	-	5,080	-	3,163	-	14,868	3,306
Revenues from other agencies	-	396,629	208,662	-	-	-	363,490
Current service charges	-	-	-	-	-	-	-
Total revenues	-	401,709	208,662	3,163	409,117	305,109	366,796
EXPENDITURES							
General government	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-	-
Community development and environmental resources	-	-	-	47,697	-	394,987	60,736
Recreation and community services	-	-	-	-	412,158	-	-
Total expenditures	-	-	-	47,697	412,158	394,987	60,736
Excess of revenues over (under) expenditures	-	401,709	208,662	(44,534)	(3,041)	(89,878)	306,060
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	50,000	-	-	-
Transfers out	-	(386,342)	(217,362)	-	-	-	(306,000)
Total other financing sources (uses)	-	(386,342)	(217,362)	50,000	-	-	(306,000)
Net change in fund balances	-	15,367	(8,700)	5,466	(3,041)	(89,878)	60
Fund balances, beginning of year	-	74,494	8,700	72,032	19,466	533,670	57,302
Fund balances, end of year	\$ -	\$ 89,861	\$ -	\$ 77,498	\$ 16,425	\$ 443,792	\$ 57,362

Continued
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CITY OF ALBANY**Other Special Revenue Funds****Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Continued)**

For the Fiscal Year Ended June 30, 2003

	Waste Management	M.T.C. Taxi Scrip	Lighting and Landscape Assessment District	Asset Forfeiture	Emergency Medical Services	Open Space	Recreational Playfields
REVENUES							
Property taxes	\$ -	\$ -	\$ 519,208	\$ -	\$ 343,457	\$ -	\$ -
Earnings on investments	-	-	13,070	-	-	2,728	521
Revenues from other agencies	127,219	28,536	14,000	-	-	-	-
Current service charges	-	-	-	-	407,434	-	-
Total revenues	127,219	28,536	546,278	-	750,891	2,728	521
EXPENDITURES							
General government	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	2,276	-	-
Community development and environmental resources	158,402	-	76,276	-	-	-	-
Recreation and community services	-	36,715	-	-	-	6,644	43
Total expenditures	158,402	36,715	76,276	-	2,276	6,644	43
Excess of revenues over (under) expenditures	(31,183)	(8,179)	470,002	-	748,615	(3,916)	478
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	5,600	2,800
Transfers out	(135,000)	-	(381,360)	-	(850,240)	-	-
Total other financing sources (uses)	(135,000)	-	(381,360)	-	(850,240)	5,600	2,800
Net change in fund balances	(166,183)	(8,179)	88,642	-	(101,625)	1,684	3,278
Fund balances, beginning of year	187,716	10,202	620,110	1,615	106,769	93,537	17,323
Fund balances, end of year	\$ 21,533	\$ 2,023	\$ 708,752	\$ 1,615	\$ 5,144	\$ 95,221	\$ 20,601

Continued
on next page

CITY OF ALBANY**Other Special Revenue Funds****Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Continued)**

For the Fiscal Year Ended June 30, 2003

	Creek Restoration	Park Bond	Reinvestment Low-Mod Housing	Law Enforcement Grants	Chief Operator Grant	Pension Property Tax	Total Other Special Revenue Funds
REVENUES							
Property taxes	\$ -	\$ -	\$ 13,441	\$ -	\$ -	\$ 1,251,176	\$ 2,826,640
Earnings on investments	2,908	-	1,179	1,712	-	-	48,535
Revenues from other agencies	-	113,600	-	1,947	411,809	-	1,665,892
Current service charges	-	-	-	-	-	-	407,434
Total revenues	2,908	113,600	14,620	3,659	411,809	1,251,176	4,948,501
EXPENDITURES							
General government	-	-	-	-	-	1,251,176	1,251,176
Police	-	-	-	-	441,452	-	441,452
Fire and emergency medical services	-	-	-	-	-	-	2,276
Community development and environmental resources	-	-	-	-	-	-	738,098
Recreation and community services	50	-	-	-	-	-	455,610
Total expenditures	50	-	-	-	441,452	1,251,176	2,888,612
Excess of revenues over (under) expenditures	2,858	113,600	14,620	3,659	(29,643)	-	2,059,889
OTHER FINANCING SOURCES (USES)							
Transfers in	2,800	-	-	-	29,643	-	90,843
Transfers out	-	-	-	(8,410)	-	-	(2,284,714)
Total other financing sources (uses)	2,800	-	-	(8,410)	29,643	-	(2,193,871)
Net change in fund balances	5,658	113,600	14,620	(4,751)	-	-	(133,982)
Fund balances, beginning of year	97,159	-	37,364	22,813	-	-	1,960,272
Fund balances, end of year	\$ 102,817	\$ 113,600	\$ 51,984	\$ 18,062	\$ -	\$ -	\$ 1,826,290

CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2003

	Waterfront			Gas Tax		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	5,080	5,080
Revenues from other agencies	17,729	-	(17,729)	361,900	396,629	34,729
Current service charges	-	-	-	-	-	-
Total revenues	<u>17,729</u>	<u>-</u>	<u>(17,729)</u>	<u>361,900</u>	<u>401,709</u>	<u>39,809</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	17,729	-	17,729	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>17,729</u>	<u>-</u>	<u>17,729</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>361,900</u>	<u>401,709</u>	<u>39,809</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(361,900)	(386,342)	(24,442)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(361,900)</u>	<u>(386,342)</u>	<u>(24,442)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,367</u>	<u>\$ 15,367</u>
Fund balances, beginning of year		<u>-</u>			<u>74,494</u>	
Fund balances, end of year		<u>\$ -</u>			<u>\$ 89,861</u>	

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on next page

CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Community Development Block Grant			Streets		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	3,163	3,163
Revenues from other agencies	153,000	208,662	55,662	-	-	-
Current service charges	-	-	-	-	-	-
Total revenues	<u>153,000</u>	<u>208,662</u>	<u>55,662</u>	<u>-</u>	<u>3,163</u>	<u>3,163</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	268,802	-	268,802	80,000	47,697	32,303
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>268,802</u>	<u>-</u>	<u>268,802</u>	<u>80,000</u>	<u>47,697</u>	<u>32,303</u>
Excess of revenues over (under) expenditures	<u>(115,802)</u>	<u>208,662</u>	<u>324,464</u>	<u>(80,000)</u>	<u>(44,534)</u>	<u>35,466</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	50,000	50,000	-
Transfers out	-	(217,362)	(217,362)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(217,362)</u>	<u>(217,362)</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (115,802)</u>	<u>(8,700)</u>	<u>\$ 107,102</u>	<u>\$ (30,000)</u>	<u>5,466</u>	<u>\$ 35,466</u>
Fund balances, beginning of year		<u>8,700</u>			<u>72,032</u>	
Fund balances, end of year		<u>\$ -</u>			<u>\$ 77,498</u>	

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CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Library Operations			Storm Drain		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 401,788	\$ 409,117	\$ 7,329	\$ 297,700	\$ 290,241	\$ (7,459)
Earnings on investments	-	-	-	-	14,868	14,868
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	-	-	-
Total revenues	<u>401,788</u>	<u>409,117</u>	<u>7,329</u>	<u>297,700</u>	<u>305,109</u>	<u>7,409</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	785,505	394,987	390,518
Recreation and community services	405,000	412,158	(7,158)	-	-	-
Total expenditures	<u>405,000</u>	<u>412,158</u>	<u>(7,158)</u>	<u>785,505</u>	<u>394,987</u>	<u>390,518</u>
Excess of revenues over (under) expenditures	<u>(3,212)</u>	<u>(3,041)</u>	<u>171</u>	<u>(487,805)</u>	<u>(89,878)</u>	<u>397,927</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	75,000	-	(75,000)
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Net change in fund balances	<u>\$ (3,212)</u>	<u>(3,041)</u>	<u>\$ 171</u>	<u>\$ (412,805)</u>	<u>(89,878)</u>	<u>\$ 322,927</u>
Fund balances, beginning of year		<u>19,466</u>			<u>533,670</u>	
Fund balances, end of year		<u>\$ 16,425</u>			<u>\$ 443,792</u>	

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CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Alameda County Measure B			Waste Management		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	3,306	3,306	-	-	-
Revenues from other agencies	416,100	363,490	(52,610)	226,200	127,219	(98,981)
Current service charges	-	-	-	-	-	-
Total revenues	<u>416,100</u>	<u>366,796</u>	<u>(49,304)</u>	<u>226,200</u>	<u>127,219</u>	<u>(98,981)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	60,736	(60,736)	257,959	158,402	99,557
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>60,736</u>	<u>(60,736)</u>	<u>257,959</u>	<u>158,402</u>	<u>99,557</u>
Excess of revenues over (under) expenditures	<u>416,100</u>	<u>306,060</u>	<u>(110,040)</u>	<u>(31,759)</u>	<u>(31,183)</u>	<u>576</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(416,100)	(306,000)	110,100	(135,000)	(135,000)	-
Total other financing sources (uses)	<u>(416,100)</u>	<u>(306,000)</u>	<u>110,100</u>	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>60</u>	<u>\$ 60</u>	<u>\$ (166,759)</u>	<u>(166,183)</u>	<u>\$ 576</u>
Fund balances, beginning of year		<u>57,302</u>			<u>187,716</u>	
Fund balances, end of year		<u>\$ 57,362</u>			<u>\$ 21,533</u>	

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CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	M.T.C. Taxi Scrip			Lighting and Landscape Assessment District		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 514,000	\$ 519,208	\$ 5,208
Earnings on investments	-	-	-	-	13,070	13,070
Revenues from other agencies	43,197	28,536	(14,661)	-	14,000	14,000
Current service charges	-	-	-	-	-	-
Total revenues	<u>43,197</u>	<u>28,536</u>	<u>(14,661)</u>	<u>514,000</u>	<u>546,278</u>	<u>32,278</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	587,404	76,276	511,128
Recreation and community services	41,197	36,715	4,482	-	-	-
Total expenditures	<u>41,197</u>	<u>36,715</u>	<u>4,482</u>	<u>587,404</u>	<u>76,276</u>	<u>511,128</u>
Excess of revenues over (under) expenditures	<u>2,000</u>	<u>(8,179)</u>	<u>(10,179)</u>	<u>(73,404)</u>	<u>470,002</u>	<u>543,406</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(381,360)	(381,360)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381,360)</u>	<u>(381,360)</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,000</u>	<u>(8,179)</u>	<u>\$ (10,179)</u>	<u>\$ (454,764)</u>	<u>88,642</u>	<u>\$ 543,406</u>
Fund balances, beginning of year		<u>10,202</u>			<u>620,110</u>	
Fund balances, end of year		<u>\$ 2,023</u>			<u>\$ 708,752</u>	

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CITY OF ALBANY
Other Special Revenue Funds
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2003

	Asset Forfeiture			Emergency Medical Services		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 340,000	\$ 343,457	\$ 3,457
Earnings on investments	-	-	-	-	-	-
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	500,500	407,434	(93,066)
Total revenues	-	-	-	840,500	750,891	(89,609)
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	2,276	(2,276)
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	-	-	-	-	2,276	(2,276)
Excess of revenues over (under) expenditures	-	-	-	840,500	748,615	(91,885)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(840,500)	(850,240)	(9,740)
Total other financing sources (uses)	-	-	-	(840,500)	(850,240)	(9,740)
Net change in fund balances	\$ -	\$ -	\$ -	-	(101,625)	\$ (101,625)
Fund balances, beginning of year		1,615			106,769	
Fund balances, end of year		\$ 1,615			\$ 5,144	

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on next page

CITY OF ALBANY
Other Special Revenue Funds
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2003

	Open Space			Recreational Playfields		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	7,500	2,728	(4,772)	3,750	521	(3,229)
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	-	-	-
Total revenues	<u>7,500</u>	<u>2,728</u>	<u>(4,772)</u>	<u>3,750</u>	<u>521</u>	<u>(3,229)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	25,000	6,644	18,356	7,000	43	6,957
Total expenditures	<u>25,000</u>	<u>6,644</u>	<u>18,356</u>	<u>7,000</u>	<u>43</u>	<u>6,957</u>
Excess of revenues over (under) expenditures	<u>(17,500)</u>	<u>(3,916)</u>	<u>13,584</u>	<u>(3,250)</u>	<u>478</u>	<u>3,728</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	5,600	5,600	-	2,800	2,800	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>5,600</u>	<u>5,600</u>	<u>-</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>
Net change in fund balances	<u>\$ (11,900)</u>	<u>1,684</u>	<u>\$ 13,584</u>	<u>\$ (450)</u>	<u>3,278</u>	<u>\$ 3,728</u>
Fund balances, beginning of year		<u>93,537</u>			<u>17,323</u>	
Fund balances, end of year		<u>\$ 95,221</u>			<u>\$ 20,601</u>	

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CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Creek Restoration			Park Bond		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	3,750	2,908	(842)	-	-	-
Revenues from other agencies	-	-	-	382,000	113,600	(268,400)
Current service charges	-	-	-	-	-	-
Total revenues	<u>3,750</u>	<u>2,908</u>	<u>(842)</u>	<u>382,000</u>	<u>113,600</u>	<u>(268,400)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	50	(50)	382,000	-	382,000
Total expenditures	<u>-</u>	<u>50</u>	<u>(50)</u>	<u>382,000</u>	<u>-</u>	<u>382,000</u>
Excess of revenues over (under) expenditures	<u>3,750</u>	<u>2,858</u>	<u>(892)</u>	<u>-</u>	<u>113,600</u>	<u>113,600</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,800	2,800	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,800</u>	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 6,550</u>	<u>5,658</u>	<u>\$ (892)</u>	<u>\$ -</u>	<u>113,600</u>	<u>\$ 113,600</u>
Fund balances, beginning of year		<u>97,159</u>			<u>-</u>	
Fund balances, end of year		<u>\$ 102,817</u>			<u>\$ 113,600</u>	

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on next page

CITY OF ALBANY

Other Special Revenue Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Reinvestment Low-Mod Housing			Law Enforcement Grants		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 10,000	\$ 13,441	\$ 3,441	\$ -	\$ -	\$ -
Earnings on investments	100	1,179	1,079	-	1,712	1,712
Revenues from other agencies	-	-	-	-	1,947	1,947
Current service charges	-	-	-	-	-	-
Total revenues	<u>10,100</u>	<u>14,620</u>	<u>4,520</u>	<u>-</u>	<u>3,659</u>	<u>3,659</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>10,100</u>	<u>14,620</u>	<u>4,520</u>	<u>-</u>	<u>3,659</u>	<u>3,659</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(8,410)	(8,410)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,410)</u>	<u>(8,410)</u>
Net change in fund balances	<u>\$ 10,100</u>	<u>14,620</u>	<u>\$ 4,520</u>	<u>\$ -</u>	<u>(4,751)</u>	<u>\$ (4,751)</u>
Fund balances, beginning of year		<u>37,364</u>			<u>22,813</u>	
Fund balances, end of year		<u>\$ 51,984</u>			<u>\$ 18,062</u>	

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CITY OF ALBANY
Other Special Revenue Funds
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2003

	Chief Operator Grant			Pension Property Tax		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 1,100,000	\$ 1,251,176	\$ 151,176
Earnings on investments	-	-	-	-	-	-
Revenues from other agencies	497,858	411,809	(86,049)	-	-	-
Current service charges	-	-	-	-	-	-
Total revenues	<u>497,858</u>	<u>411,809</u>	<u>(86,049)</u>	<u>1,100,000</u>	<u>1,251,176</u>	<u>151,176</u>
EXPENDITURES						
General government	-	-	-	1,100,000	1,251,176	(151,176)
Police	519,091	441,452	77,639	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>519,091</u>	<u>441,452</u>	<u>77,639</u>	<u>1,100,000</u>	<u>1,251,176</u>	<u>(151,176)</u>
Excess of revenues over (under) expenditures	<u>(21,233)</u>	<u>(29,643)</u>	<u>(8,410)</u>	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	21,233	29,643	8,410	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>21,233</u>	<u>29,643</u>	<u>8,410</u>	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year	-	-	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>

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on next page

CITY OF ALBANY
Other Special Revenue Funds
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2003

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Property taxes	\$ 2,663,488	\$ 2,826,640	\$ 163,152
Earnings on investments	15,100	48,535	33,435
Revenues from other agencies	2,097,984	1,665,892	(432,092)
Current service charges	500,500	407,434	(93,066)
Total revenues	<u>5,277,072</u>	<u>4,948,501</u>	<u>(328,571)</u>
EXPENDITURES			
General government	1,100,000	1,251,176	(151,176)
Police	519,091	441,452	77,639
Fire and emergency medical services	-	2,276	(2,276)
Community development and environmental resources	1,997,399	738,098	1,259,301
Recreation and community services	860,197	455,610	404,587
Total expenditures	<u>4,476,687</u>	<u>2,888,612</u>	<u>1,588,075</u>
Excess of revenues over (under) expenditures	<u>800,385</u>	<u>2,059,889</u>	<u>1,259,504</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	157,433	90,843	(66,590)
Transfers out	(2,134,860)	(2,284,714)	(149,854)
Total other financing sources (uses)	<u>(1,977,427)</u>	<u>(2,193,871)</u>	<u>(216,444)</u>
Net change in fund balances	<u>\$ (1,177,042)</u>	<u>(133,982)</u>	<u>\$ 1,043,060</u>
Fund balances, beginning of year		<u>1,960,272</u>	
Fund balances, end of year		<u>\$ 1,826,290</u>	

CITY OF ALBANY

Other 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 Other Capital Projects Funds are:

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

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

Capital Facilities Developer Fee - is used to account for a fee on new development 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.

Capital Facilities Reserve Fund - is used to accumulate resources for future construction of the Community Development Maintenance Center.

Reinvestment Fund - is used to account for activities of the Albany Community Reinvestment Agency.

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

CITY OF ALBANY
Other Capital Projects Funds
Combining Balance Sheet
June 30, 2003

	Fire Equipment	Police Equipment	Capital Facilities Developer Fee	Capital Facilities	Reinvestment	R & CS Reserve	Total Other Capital Projects Funds
ASSETS							
Operating cash and investments	\$ 89,639	\$ 213,352	\$ 74,786	\$ 439,506	\$ 112,450	\$ 45,087	\$ 974,820
Receivables:							
Other taxes	-	-	-	-	121	-	121
Accounts	-	-	-	-	-	39,309	39,309
Total assets	\$ 89,639	\$ 213,352	\$ 74,786	\$ 439,506	\$ 112,571	\$ 84,396	\$ 1,014,250
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 570	\$ 24,550	\$ 6,893	\$ 32,013
Accrued salaries & benefits	-	-	-	1,503	135	-	1,638
Accrued liabilities	-	-	-	609	395	-	1,004
Advance from other funds	-	-	-	-	400,000	-	400,000
Total liabilities	-	-	-	2,682	425,080	6,893	434,655
Fund balances:							
Reserved for capital projects	89,639	213,352	74,786	436,824	-	77,503	892,104
Unreserved (deficit)	-	-	-	-	(312,509)	-	(312,509)
Total fund balances (deficit)	89,639	213,352	74,786	436,824	(312,509)	77,503	579,595
Total liabilities and fund balances	\$ 89,639	\$ 213,352	\$ 74,786	\$ 439,506	\$ 112,571	\$ 84,396	\$ 1,014,250

CITY OF ALBANY

Other Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2003

	Fire Equipment	Police Equipment	Capital Facilities Developer Fee	Capital Facilities	Reinvestment	R & CS Reserve	Total Other Capital Projects Funds
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 48,030	\$ -	\$ 48,030
Earnings on investments	-	-	-	16,155	1,664	-	17,819
Revenues from other agencies	2,492	-	-	-	-	61,850	64,342
Current service charges	-	-	14,589	-	-	25,527	40,116
Total revenues	<u>2,492</u>	<u>-</u>	<u>14,589</u>	<u>16,155</u>	<u>49,694</u>	<u>87,377</u>	<u>170,307</u>
EXPENDITURES							
Current:							
Community development and environmental resources	-	-	-	77,237	22,602	-	99,839
Capital outlay	53,118	-	85,485	5,808	462,468	6,792	613,671
Debt service:							
Principal	20,920	-	-	-	-	4,032	24,952
Interest	7,085	-	-	-	-	1,155	8,240
Total expenditures	<u>81,123</u>	<u>-</u>	<u>85,485</u>	<u>83,045</u>	<u>485,070</u>	<u>11,979</u>	<u>746,702</u>
Excess of revenues over (under) expenditures	<u>(78,631)</u>	<u>-</u>	<u>(70,896)</u>	<u>(66,890)</u>	<u>(435,376)</u>	<u>75,398</u>	<u>(576,395)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	49,536	75,158	-	-	-	-	124,694
Total other financing sources (uses)	<u>49,536</u>	<u>75,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,694</u>
Net change in fund balances	(29,095)	75,158	(70,896)	(66,890)	(435,376)	75,398	(451,701)
Fund balances, beginning of year	118,734	138,194	145,682	503,714	140,675	2,105	1,049,104
Prior period adjustment	-	-	-	-	(17,808)	-	(17,808)
Fund balances, end of year	<u>\$ 89,639</u>	<u>\$ 213,352</u>	<u>\$ 74,786</u>	<u>\$ 436,824</u>	<u>\$ (312,509)</u>	<u>\$ 77,503</u>	<u>\$ 579,595</u>

CITY OF ALBANY
Other Capital Projects Funds
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2003

	Fire Equipment			Police Equipment		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	-	-
Revenues from other agencies	-	2,492	2,492	-	-	-
Current service charges	-	-	-	-	-	-
Total revenues	-	2,492	2,492	-	-	-
EXPENDITURES						
Current:						
Community development and environmental resources	-	-	-	-	-	-
Capital outlay	-	53,118	(53,118)	-	-	-
Debt Service:						
Principal	18,742	20,920	(2,178)	-	-	-
Interest	8,794	7,085	1,709	-	-	-
Total expenditures	27,536	81,123	(53,587)	-	-	-
Excess of revenues over (under) expenditures	(27,536)	(78,631)	(51,095)	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	49,536	49,536	-	47,000	75,158	28,158
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	49,536	49,536	-	47,000	75,158	28,158
Net change in fund balances	\$ 22,000	(29,095)	\$ (51,095)	\$ 47,000	75,158	\$ 28,158
Fund balances, beginning of year		118,734			138,194	
Prior period adjustment		-			-	
Fund balances, end of year		\$ 89,639			\$ 213,352	

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CITY OF ALBANY

Other Capital Projects Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Capital Facilities Developer Fee			Capital Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	16,155	16,155
Revenues from other agencies	-	-	-	-	-	-
Current service charges	15,000	14,589	(411)	-	-	-
Total revenues	15,000	14,589	(411)	-	16,155	16,155
EXPENDITURES						
Current:						
Community development and environmental resources	-	-	-	94,311	77,237	17,074
Capital outlay	100,000	85,485	14,515	287,200	5,808	281,392
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	100,000	85,485	14,515	381,511	83,045	298,466
Excess of revenues over (under) expenditures	(85,000)	(70,896)	14,104	(381,511)	(66,890)	314,621
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	15,000	-	15,000	-	-	-
Total other financing sources (uses)	(15,000)	-	15,000	-	-	-
Net change in fund balances	\$ (100,000)	(70,896)	\$ 29,104	\$ (381,511)	(66,890)	\$ 314,621
Fund balances, beginning of year		145,682			503,714	
Prior period adjustment		-			-	
Fund balances, end of year		\$ 74,786			\$ 436,824	

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on next page

CITY OF ALBANY

Other Capital Projects Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	Reinvestment			R & CS Reserve		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 40,000	\$ 48,030	\$ 8,030	\$ -	\$ -	\$ -
Earnings on investments	500	1,664	1,164	-	-	-
Revenues from other agencies	-	-	-	70,850	61,850	(8,800)
Current service charges	-	-	-	-	25,527	25,527
Total revenues	<u>40,500</u>	<u>49,694</u>	<u>9,194</u>	<u>70,650</u>	<u>87,377</u>	<u>16,727</u>
EXPENDITURES						
Current:						
Community development and environmental resources	22,569	22,602	(33)	-	-	-
Capital outlay	450,000	462,468	(12,468)	46,500	6,792	39,708
Debt Service:						
Principal	-	-	-	18,845	4,032	14,813
Interest	-	-	-	1,155	1,155	-
Total expenditures	<u>472,569</u>	<u>485,070</u>	<u>(12,501)</u>	<u>66,500</u>	<u>11,979</u>	<u>54,521</u>
Excess of revenues over (under) expenditures	<u>(432,069)</u>	<u>(435,376)</u>	<u>(3,307)</u>	<u>4,150</u>	<u>75,398</u>	<u>71,248</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (432,069)</u>	<u>(435,376)</u>	<u>\$ (3,307)</u>	<u>\$ 4,150</u>	<u>75,398</u>	<u>\$ 71,248</u>
Fund balances, beginning of year		140,675			2,105	
Prior period adjustment		<u>(17,808)</u>			<u>-</u>	
Fund balances, end of year		<u>\$ (312,509)</u>			<u>\$ 77,503</u>	

Continued on next page

CITY OF ALBANY
Other Capital Projects Funds
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2003

	Total		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Property taxes	\$ 40,000	\$ 48,030	\$ 8,030
Earnings on investments	500	17,819	17,319
Revenues from other agencies	70,650	64,342	(6,308)
Current service charges	15,000	40,116	25,116
Total revenues	<u>126,150</u>	<u>170,307</u>	<u>44,157</u>
EXPENDITURES			
Current:			
Community development and environmental resources	116,880	99,839	17,041
Capital outlay	883,700	613,671	270,029
Debt Service:			
Principal	37,587	24,952	12,635
Interest	9,949	8,240	1,709
Total expenditures	<u>1,048,116</u>	<u>746,702</u>	<u>301,414</u>
Excess of revenues over (under) expenditures	<u>(921,966)</u>	<u>(576,395)</u>	<u>345,571</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	96,536	124,694	28,158
Transfers out	15,000	-	(15,000)
Total other financing sources (uses)	<u>111,536</u>	<u>124,694</u>	<u>13,158</u>
Net change in fund balances	<u>\$ (810,430)</u>	<u>(451,701)</u>	<u>\$ 358,729</u>
Fund balances, beginning of year		1,049,104	
Prior period adjustment		<u>(17,808)</u>	
Fund balances, end of year		<u>\$ 579,595</u>	

CITY OF ALBANY

Capital Projects Funds - Major Funds

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2003

	Capital Projects			1996-1 Assessment District Bond Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	141,000	106,361	(34,639)
Revenues from other agencies	1,636,746	692,334	(944,412)	-	-	-
Current service charges	-	-	-	-	-	-
Total revenues	<u>1,636,746</u>	<u>692,334</u>	<u>(944,412)</u>	<u>141,000</u>	<u>106,361</u>	<u>(34,639)</u>
EXPENDITURES						
Current:						
Community development and environmental resources	-	15,860	(15,860)	-	-	-
Capital outlay	1,662,585	1,903,867	(241,282)	89,268	67,932	21,336
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>1,662,585</u>	<u>1,919,727</u>	<u>(257,142)</u>	<u>89,268</u>	<u>67,932</u>	<u>21,336</u>
Excess of revenues over (under) expenditures	<u>(25,839)</u>	<u>(1,227,393)</u>	<u>(1,201,554)</u>	<u>51,732</u>	<u>38,429</u>	<u>(13,303)</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	-	-	-
Transfers in	15,000	352,362	337,362	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>15,000</u>	<u>352,362</u>	<u>337,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (10,839)</u>	<u>(875,031)</u>	<u>\$ (864,192)</u>	<u>\$ 51,732</u>	<u>38,429</u>	<u>\$ (13,303)</u>
Fund balances, beginning of year		(381,930)			4,600,984	
Prior period adjustment		-			-	
Fund balances, end of year		<u>\$ (1,256,961)</u>			<u>\$ 4,639,413</u>	

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CITY OF ALBANY

Capital Projects Funds - Major Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	General Obligation Bond 2003			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	141,000	106,361	(34,639)
Revenues from other agencies	-	-	-	1,636,746	692,334	(944,412)
Current service charges	-	-	-	-	-	-
Total revenues	-	-	-	1,777,746	798,695	(979,051)
EXPENDITURES						
Current:						
Community development and environmental resources	-	-	-	-	15,860	(15,860)
Capital outlay	-	-	-	1,751,853	1,971,799	(219,946)
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	-	1,751,853	1,987,659	(235,806)
Excess of revenues over (under) expenditures	-	-	-	25,893	(1,188,964)	(1,214,857)
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	7,911,000	7,911,000	-	7,911,000	7,911,000
Transfers in	-	-	-	15,000	352,362	337,362
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	7,911,000	7,911,000	15,000	8,263,362	8,248,362
Net change in fund balances	\$ -	7,911,000	\$ 7,911,000	\$ 40,893	7,074,398	\$ 7,033,505
Fund balances, beginning of year		-			4,219,054	
Prior period adjustment		-			-	
Fund balances, end of year		\$ 7,911,000			\$ 11,293,452	

CITY OF ALBANY

Other 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 Other Debt Service Funds are:

Public Facilities Financing Authority Fund - accounts for accumulation of resources for the payments of general long-term debt principal and interest.

Reinvestment Debt Service - accounts for property tax increment and other revenues generated by activities in the redevelopment area and used to service debt incurred by the Reinvestment Agency.

G.O. Bond Debt Service - accounts for accumulation of resources for the payments of general obligation bond principal and interest.

CITY OF ALBANY
Other Debt Service Funds
Combining Balance Sheet
June 30, 2003

	Debt Service APFFA	Reinvestment Debt Service	G.O. Bond Debt Service	Total Other Debt Service Funds
ASSETS				
Operating cash and investments	\$ 38,623	\$ 25,058	\$ 112,089	\$ 175,770
Debt service reserves held with trustee	466,162	-	-	466,162
Total assets	<u>\$ 504,785</u>	<u>\$ 25,058</u>	<u>\$ 112,089</u>	<u>\$ 641,932</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 3,642	\$ -	\$ 40,390	\$ 44,032
Advances from other funds	-	451,836	-	451,836
Total liabilities	<u>3,642</u>	<u>451,836</u>	<u>40,390</u>	<u>495,868</u>
Fund balances:				
Reserved for debt service	501,143	-	71,699	572,842
Unreserved (deficit)	-	(426,778)	-	(426,778)
Total fund balances	<u>501,143</u>	<u>(426,778)</u>	<u>71,699</u>	<u>146,064</u>
Total liabilities and fund balances	<u>\$ 504,785</u>	<u>\$ 25,058</u>	<u>\$ 112,089</u>	<u>\$ 641,932</u>

CITY OF ALBANY**Other Debt Service Funds****Combining Statement of Revenues, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2003**

	Debt Service APFFA	Reinvestment Debt Service	G.O. Bond Debt Service	Total Other Debt Service Funds
REVENUES				
Earnings on investments	\$ 10,916	\$ 685	\$ -	\$ 11,601
Total revenues	10,916	685	-	11,601
EXPENDITURES				
Current:				
General government	8,198	-	20,088	28,286
Debt service:				
Principal	305,000	-	-	305,000
Interest	160,156	9,230	-	169,386
Total expenditures	473,354	9,230	20,088	502,672
Excess of revenues over (under) expenditures	(462,438)	(8,545)	(20,088)	(491,071)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	91,787	91,787
Transfers in	404,547	-	-	404,547
Total other financing sources (uses)	404,547	-	91,787	496,334
Net change in fund balances	(57,891)	(8,545)	71,699	5,263
Fund balances, beginning of year	559,034	24,373	-	583,407
Prior period adjustment	-	(442,606)	-	(442,606)
Fund balances, end of year	\$ 501,143	\$ (426,778)	\$ 71,699	\$ 146,064

CITY OF ALBANY
Other Debt Service Funds
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2003

	Debt Service APFFA			Reinvestment Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	28,000	10,916	(17,084)	-	685	685
Total revenues	28,000	10,916	(17,084)	-	685	685
EXPENDITURES						
Current:						
General government	4,800	8,198	(3,398)	-	-	-
Debt Service:						
Principal	305,000	305,000	-	-	-	-
Interest	160,156	160,156	-	40,000	9,230	30,770
Total expenditures	469,956	473,354	(3,398)	40,000	9,230	30,770
Excess of revenues over (under) expenditures	(441,956)	(462,438)	(20,482)	(40,000)	(8,545)	31,455
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	-	-	-
Transfers in	404,547	404,547	-	-	-	-
Total other financing sources (uses)	404,547	404,547	-	-	-	-
Net change in fund balances	\$ (37,409)	(57,891)	\$ (20,482)	\$ (40,000)	(8,545)	\$ 31,455
Fund balances, beginning of year		559,034			24,373	
Prior period adjustment		-			(442,606)	
Fund balances, end of year		\$ 501,143			\$ (426,778)	

Continued
on next page

CITY OF ALBANY

Other Debt Service Funds

Budgetary Comparison Schedule (Continued)

For the Fiscal Year Ended June 30, 2003

	G.O. Bond Debt Service			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	28,000	11,601	(16,399)
Total revenues	-	-	-	28,000	11,601	(16,399)
EXPENDITURES						
Current:						
General government	89,000	20,088	68,912	93,800	28,286	65,514
Debt Service:						
Principal	-	-	-	305,000	305,000	-
Interest	-	-	-	200,156	169,386	30,770
Total expenditures	89,000	20,088	68,912	598,956	502,672	96,284
Excess of revenues over (under) expenditures	(89,000)	(20,088)	68,912	(570,956)	(491,071)	79,885
OTHER FINANCING SOURCES (USES)						
Debt proceeds	112,089	91,787	(20,302)	112,089	91,787	(20,302)
Transfers in	-	-	-	404,547	404,547	-
Total other financing sources (uses)	112,089	91,787	(20,302)	516,636	496,334	(20,302)
Net change in fund balances	\$ 23,089	71,699	\$ 48,610	\$ (54,320)	5,263	\$ 59,583
Fund balances, beginning of year		-			583,407	
Prior period adjustment		-			(442,606)	
Fund balances, end of year		\$ 71,699			\$ 146,064	

CITY OF ALBANY

Internal Service Funds

Internal Service Funds are used to account for the financing of services provided by one department to other departments on a cost reimbursed basis. The City's Internal Service Funds are:

Community Development Equipment Reserve Fund - accounts for accumulation of resources to be used for replacement of public works and park equipment.

General Liability Fund - was established to cover future general liability claims against the City. Effective June 30, 2003, this fund was combined with the City's general fund.

Workers' Compensation Fund - was established to cover future unknown claims that may occur relating to workers' compensation injuries. Effective June 30, 2003, this fund was combined with the City's general fund.

CITY OF ALBANY

Internal Service Funds

Combining Statement of Net Assets

June 30, 2003

	Community Development Equipment	General Liability	Workers' Compensation	Total Internal Service Funds
ASSETS				
Operating cash and investments	\$ 205,121	\$ -	\$ -	\$ 205,121
Total current assets	205,121	-	-	205,121
Capital assets, net	16,484	-	-	16,484
Total assets	221,605	-	-	221,605
NET ASSETS				
Invested in capital assets, net of related debt	16,484	-	-	16,484
Unrestricted	205,121	-	-	205,121
Total net assets	\$ 221,605	\$ -	\$ -	\$ 221,605

CITY OF ALBANY

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2003

	Community Development Equipment	General Liability	Workers' Compensation	Total Internal Service Funds
REVENUES				
Current service charges	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Materials, supplies and other	-	-	-	-
Claims expense	-	-	-	-
Depreciation	110,249	-	-	110,249
Total expenses	<u>110,249</u>	<u>-</u>	<u>-</u>	<u>110,249</u>
Operating income (loss)	<u>(110,249)</u>	<u>-</u>	<u>-</u>	<u>(110,249)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	-	230,284	280,284
Transfers out	-	(99,857)	-	(99,857)
	<u>50,000</u>	<u>(99,857)</u>	<u>230,284</u>	<u>180,427</u>
Change in net assets	(60,249)	(99,857)	230,284	70,178
Net assets, beginning of year	281,854	99,857	(230,284)	151,427
Net assets, end of year	<u>\$ 221,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,605</u>

CITY OF ALBANY

Internal Service Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2003

	Community Development Equipment	General Liability	Workers' Compensation	Total Internal Service Funds
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	\$ 50,000	\$ -	\$ 230,284	\$ 280,284
Transfers out to other funds	-	(99,857)	-	(99,857)
Claims and workers' compensation liabilities transferred to general fund	-	(238,153)	(1,503,259)	(1,741,412)
Net change - noncapital financing activities	<u>50,000</u>	<u>(338,010)</u>	<u>(1,272,975)</u>	<u>(1,560,985)</u>
Net change in cash and cash equivalents	50,000	(338,010)	(1,272,975)	(1,560,985)
Cash and cash equivalents at beginning of year	<u>155,121</u>	<u>338,010</u>	<u>1,272,975</u>	<u>1,766,106</u>
Cash and cash equivalents at end of year	<u>\$ 205,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,121</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (110,249)	\$ -	\$ -	\$ (110,249)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	110,249	-	-	110,249
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ALBANY

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 the specific actions of trust agreements, ordinances, bylaws, and other governing regulations. The City's Agency Funds are:

Pension Override Fund - accounts for Pension Override tax revenues collected for payment of the City's contributions to employee retirement plans.

Bond and Trust Fund - is used to track security or performance bond deposits on projects that encroach upon the City facilities right of ways.

School Facility Fee Fund - accounts for development impact fees levied by and due to the Albany Unified School District.

1996-1 Assessment District Bond Fund - is used to pay for acquisition, development and maintenance of open space on Albany Hill; 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.

CITY OF ALBANY

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

June 30, 2003

	Pension Override	Bond & Trust	School Facility Fee	1996-1 Assessment District Bond Funds	Total Agency Funds
ASSETS					
Operating cash and investments	\$ 433,048	\$ 192,318	\$ 1,191	\$ 398,599	\$ 1,025,156
Debt service reserves held with trustee	-	-	-	502,726	502,726
Receivables	20,616	-	-	6,884	27,500
Total assets	<u>\$ 453,664</u>	<u>\$ 192,318</u>	<u>\$ 1,191</u>	<u>\$ 908,209</u>	<u>\$ 1,555,382</u>
LIABILITIES					
Accounts payable	\$ 453,664	\$ 6,512	\$ 1,191	\$ -	\$ 461,367
Due to bondholders	-	-	-	908,209	908,209
Refundable deposits	-	185,806	-	-	185,806
Total liabilities	<u>\$ 453,664</u>	<u>\$ 192,318</u>	<u>\$ 1,191</u>	<u>\$ 908,209</u>	<u>\$ 1,555,382</u>

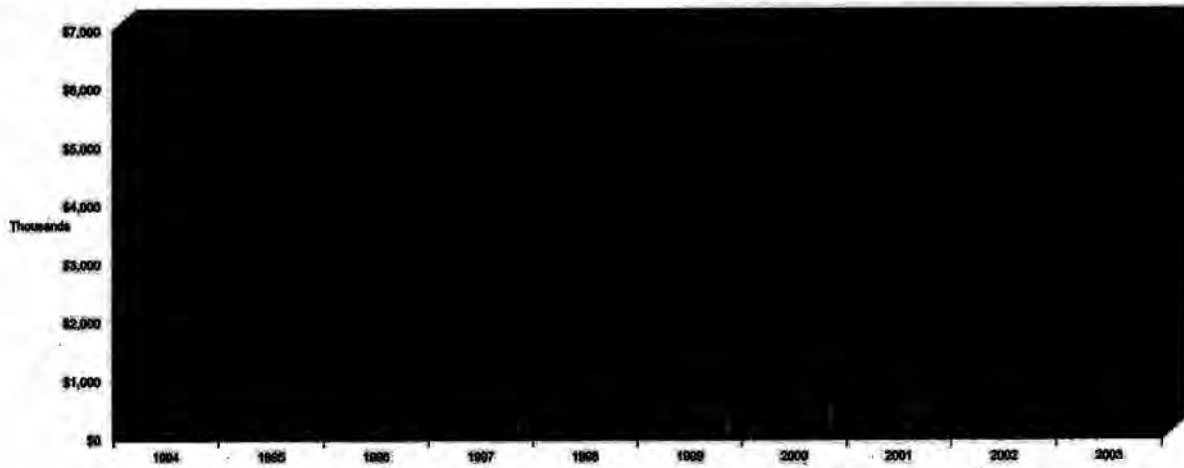
CITY OF ALBANY**Agency Funds****Combining Statement of Changes in Fiduciary Assets and Liabilities****For the Fiscal Year Ended June 30, 2003**

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003
Pension Override				
Assets:				
Operating cash and investments	\$ 577,268	\$ -	\$ 144,220	\$ 433,048
Accounts receivable	42,605	20,616	42,605	20,616
Total assets	<u>\$ 619,873</u>	<u>\$ 20,616</u>	<u>\$ 186,825</u>	<u>\$ 453,664</u>
Liabilities:				
Accounts payable	619,873	-	166,209	453,664
Total liabilities	<u>\$ 619,873</u>	<u>\$ -</u>	<u>\$ 166,209</u>	<u>\$ 453,664</u>
Bond and Trust				
Assets:				
Operating cash and investments	\$ 331,029	\$ -	\$ 138,711	\$ 192,318
Liabilities:				
Accounts payable	13,901	-	7,389	6,512
Refundable deposits	317,128	-	131,322	185,806
Total liabilities	<u>\$ 331,029</u>	<u>\$ -</u>	<u>\$ 138,711</u>	<u>\$ 192,318</u>
School Facility Fees				
Assets:				
Operating cash and investments	\$ 4,470	\$ -	\$ 3,279	\$ 1,191
Liabilities:				
Accounts payable	\$ 4,470	\$ -	\$ 3,279	\$ 1,191
1996-1 Assessment District Bond Funds				
Assets:				
Operating cash and investments	\$ 390,124	\$ 502,729	\$ 494,254	\$ 398,599
Debt service reserves held with trustee	491,383	11,343	-	502,726
Accounts receivable	5,325	6,884	5,325	6,884
Total assets	<u>\$ 886,832</u>	<u>\$ 520,956</u>	<u>\$ 499,579</u>	<u>\$ 908,209</u>
Liabilities:				
Due to bondholders	\$ 886,832	\$ 21,377	\$ -	\$ 908,209
Total Agency Funds				
Assets:				
Operating cash and investments	\$ 1,302,891	\$ 502,729	\$ 780,464	\$ 1,025,156
Debt service reserves held with trustee	491,383	11,343	-	502,726
Accounts receivable	317,930	27,500	47,930	27,500
Total assets	<u>\$ 1,842,204</u>	<u>\$ 541,572</u>	<u>\$ 828,394</u>	<u>\$ 1,555,382</u>
Liabilities:				
Accounts payable	638,244	-	176,877	461,367
Due to bondholders	886,832	21,377	-	908,209
Refundable deposits	317,128	-	131,322	185,806
Total liabilities	<u>\$ 1,842,204</u>	<u>\$ 21,377</u>	<u>\$ 308,199</u>	<u>\$ 1,555,382</u>

STATISTICAL

SECTION

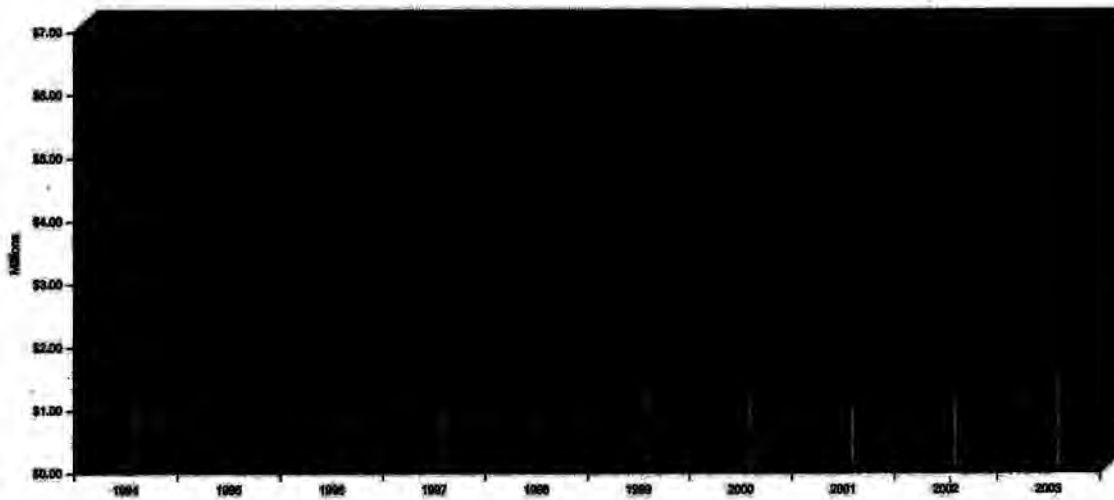
**CITY OF ALBANY
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Property and Sales Taxes</u>	<u>Licenses, Fees, and Other Taxes</u>	<u>Revenue from Other Agencies</u>	<u>Current Service Charges</u>	<u>Fines, Forfeits, and Misc Revenue</u>	<u>Earnings on Investments</u>	<u>Total</u>
1994	\$ 3,217,756	\$ 2,443,186	\$ 2,872,913	\$ 1,096,990	\$ 489,093	\$ 245,802	\$ 10,365,540
1995	3,695,416	2,596,971	1,866,647	1,064,746	479,315	276,932	9,980,027
1996	3,868,641	2,714,217	1,518,340	1,060,721	750,338	220,166	10,132,413
1997	3,807,308	2,851,096	2,147,524	1,335,549	517,012	266,969	10,925,458
1998	4,458,578	3,198,856	1,831,525	1,416,671	434,442	331,456	11,671,528
1999	4,443,266	3,418,657	2,131,782	1,479,948	553,025	351,115	12,377,793
2000	4,412,814	3,766,132	2,172,580	1,542,089	750,466	535,557	13,179,638
2001	5,781,219	3,596,853	3,286,659	1,519,300	587,108	648,551	15,419,690
2002	6,486,472	3,636,468	5,801,430	1,497,888	594,893	481,187	18,498,338
2003	6,619,467	3,831,580	3,446,053	1,397,153	609,449	322,236	16,225,938

Source: City of Albany financial reports, budget reports and accounting records.

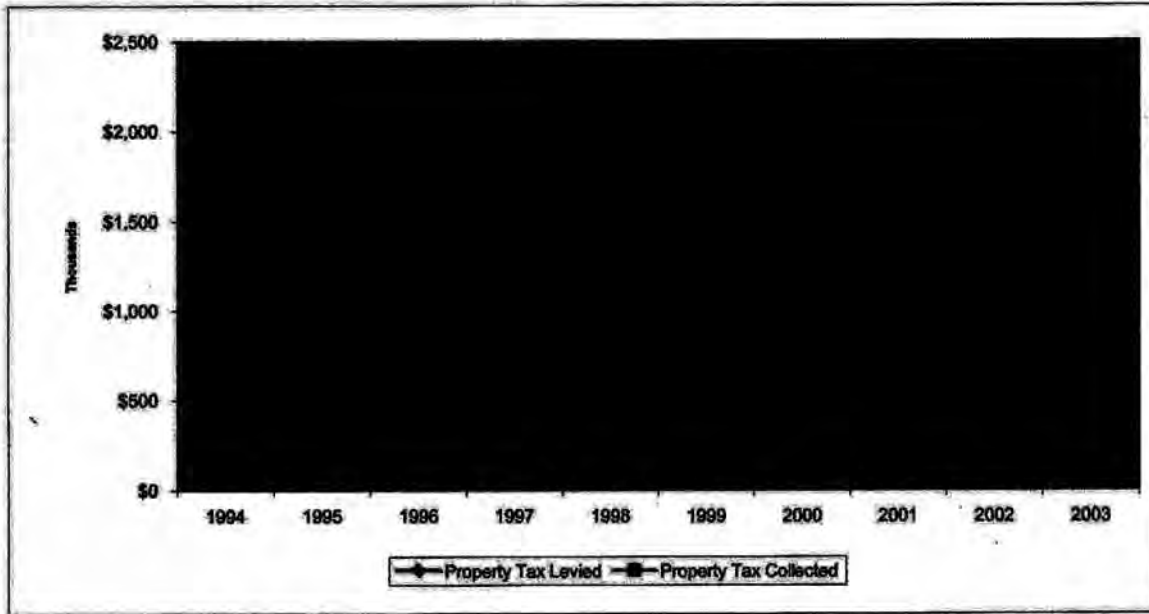
**CITY OF ALBANY
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**



Fiscal Year	Police, Fire and Emergency Medical Services	Community Development	General Government	Recreation and Community Services	Capital Outlay	Debt Service	Total
1994	\$ 4,365,704	\$ 1,584,057	\$ 1,974,139	\$ 1,040,847	\$ 3,044,604	\$ 526,256	\$ 12,535,407
1995	5,121,457	1,746,690	2,030,927	726,828	729,784	517,750	10,873,436
1996	4,986,850	2,371,400	1,832,910	829,504	129,394	509,704	10,658,762
1997	4,910,945	3,082,950	1,860,905	892,925	521,025	527,160	11,795,910
1998	5,022,973	2,463,771	2,054,353	1,016,598	241,164	496,606	11,295,467
1999	5,647,815	2,495,657	2,418,360	1,382,833	1,497,323	613,449	14,055,237
2000	5,679,593	2,611,152	2,692,667	1,090,717	144,150	518,442	12,736,741
2001	5,601,600	2,804,457	4,040,796	933,235	262,683	596,926	14,239,697
2002	6,344,966	2,456,477	3,793,923	1,054,981	3,877,700	593,021	18,121,068
2003	6,568,160	2,800,042	3,915,322	1,470,303	2,591,462	576,285	17,921,574

Source: City of Albany financial reports, budget reports and accounting records.

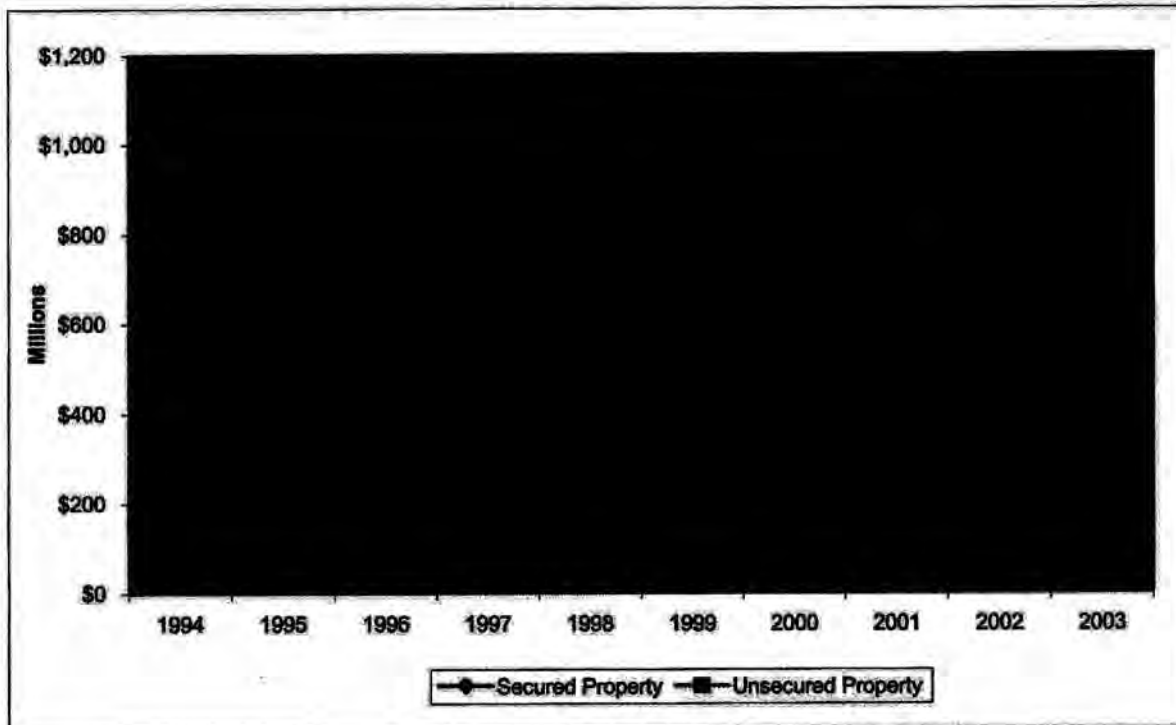
**CITY OF ALBANY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Property Tax Levied</u>	<u>Property Tax Collected</u>	<u>Percent Collected</u>
1994	\$1,511,707	\$1,507,875	99.75%
1995	1,591,745	1,480,246	93.00%
1996	1,582,044	1,539,165	97.29%
1997	1,559,255	1,518,008	97.35%
1998	1,645,641	1,606,487	97.62%
1999	1,741,121	1,699,031	97.58%
2000	1,819,144	1,783,414	98.04%
2001	2,015,504	1,974,254	97.95%
2002	2,160,733	2,106,408	97.49%
2003	2,305,947	2,245,253	97.37%

Source: Alameda County Auditor-Controller Office

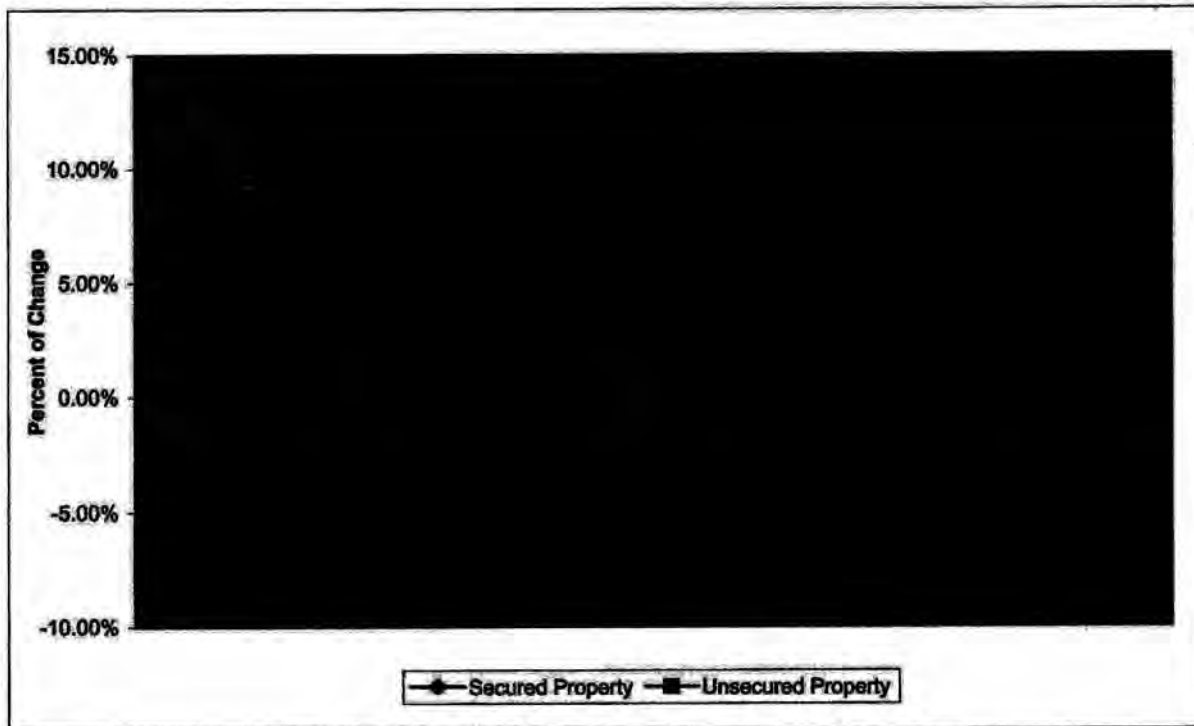
**CITY OF ALBANY
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Secured Property	Percent Change Secured Property	Unsecured Property	Percent Change Unsecured Property	Total Assessed
1994	\$ 690,369,878	1.52%	\$ 23,279,137	13.52%	\$ 713,649,015
1995	714,796,864	3.54%	24,825,989	6.64%	739,622,853
1996	738,224,153	3.28%	23,597,828	-4.95%	761,821,981
1997	764,842,580	6.31%	24,084,240	2.06%	808,926,820
1998	823,475,667	4.92%	24,889,516	3.34%	848,365,183
1999	835,085,828	1.41%	23,492,862	-5.61%	858,578,690
2000	875,791,849	4.87%	22,919,766	-2.44%	898,711,615
2001	973,731,605	11.18%	22,895,997	-0.10%	996,627,602
2002	1,058,671,736	8.72%	23,750,147	3.73%	1,082,421,883
2003	1,124,537,380	6.22%	25,253,021	6.33%	1,149,790,401

Source: Alameda County Auditor-Controller Office

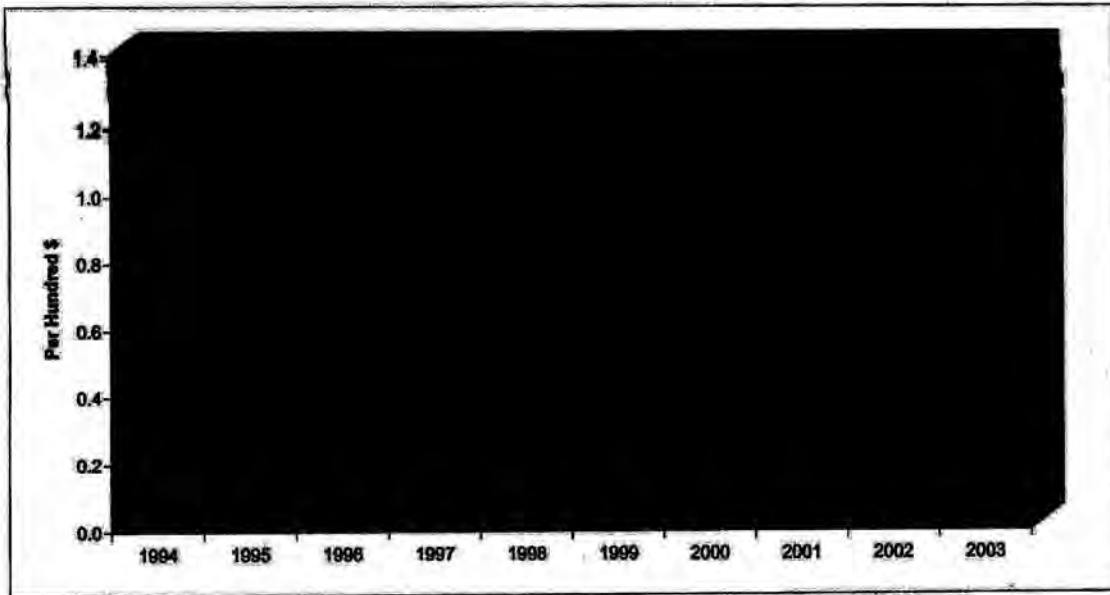
**CITY OF ALBANY
PERCENTAGE CHANGE IN ASSESSED
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Secured Property	Percent Change Secured Property	Unsecured Property	Percent Change Unsecured Property	Total Assessed
1994	\$ 690,369,878	1.52%	\$ 23,279,137	13.52%	\$ 713,649,015
1995	714,796,864	3.54%	24,825,989	6.64%	739,622,853
1996	738,224,153	3.28%	23,597,828	-4.95%	761,821,981
1997	784,842,580	6.31%	24,084,240	2.06%	808,926,820
1998	823,475,667	4.92%	24,889,516	3.34%	848,365,183
1999	835,085,828	1.41%	23,492,862	-5.61%	858,578,690
2000	875,791,849	4.87%	22,919,766	-2.44%	898,711,615
2001	973,731,605	11.18%	22,895,997	-0.10%	996,627,602
2002	1,058,671,736	8.72%	23,750,147	3.73%	1,082,421,883
2003	1,124,537,380	6.22%	25,253,021	6.33%	1,149,790,401

Source: Alameda County Auditor-Controller Office

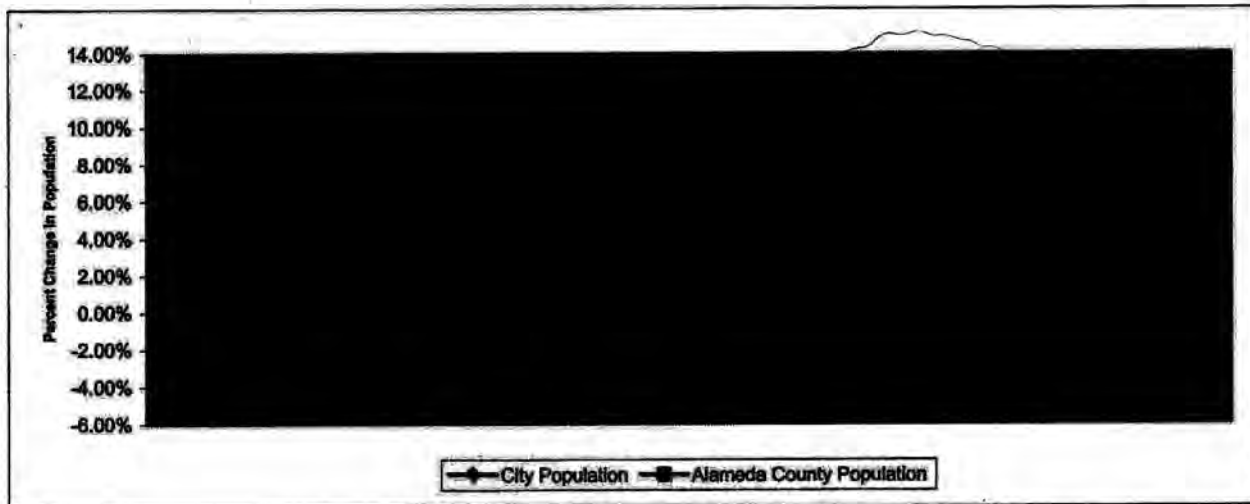
**CITY OF ALBANY
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City of Albany Pension Fund</u>	<u>School Districts</u>	<u>Special Districts</u>	<u>Basic County Wide Levy</u>
1994	0.0993	0.0749	0.0309	1.0000
1995	0.0993	0.0927	0.0301	1.0000
1996	0.0993	0.1565	0.0432	1.0000
1997	0.0993	0.1156	0.0305	1.0000
1998	0.0993	0.1573	0.0397	1.0000
1999	0.0993	0.1874	0.0350	1.0000
2000	0.0993	0.1752	0.0175	1.0000
2001	0.0993	0.1823	0.0150	1.0000
2002	0.0993	0.1557	0.0156	1.0000
2003	0.0993	0.1657	0.0149	1.0000

Source: Alameda County Tax Rates - Auditor/Controller of Alameda County

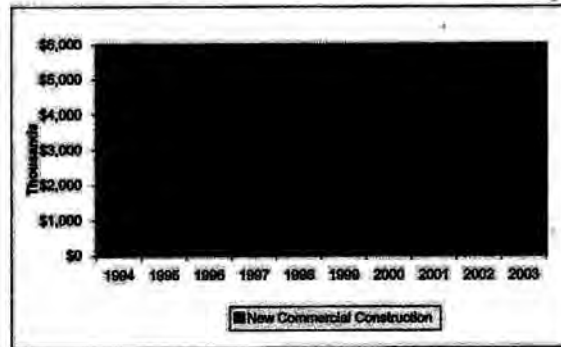
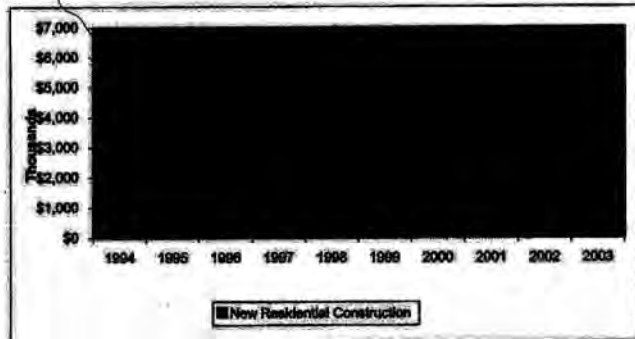
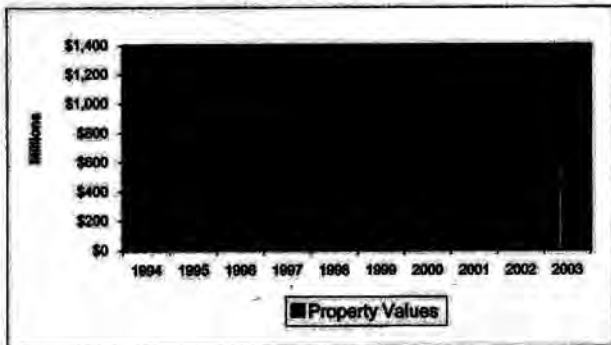
**CITY OF ALBANY
DEMOGRAPHIC STATISTICS
CUMULATIVE PERCENTAGE CHANGE IN POPULATION
LAST TEN FISCAL YEARS**



Fiscal Year	City Population	Percent Change City Population		Alameda County Population	Percent Change County Population		City Population % of County
		Annual	Cumulative		Annual	Cumulative	
1994	17,404	0.46%	0.46%	1,334,127	-0.22%	-0.22%	1.30%
1995	17,068	-1.93%	-1.47%	1,349,768	1.17%	0.95%	1.26%
1996	17,113	0.26%	-1.21%	1,362,893	0.97%	1.92%	1.26%
1997	17,315	1.18%	-0.03%	1,365,938	0.22%	2.14%	1.27%
1998	17,645	1.91%	1.88%	1,408,073	3.08%	5.22%	1.25%
1999	17,770	0.71%	2.59%	1,433,309	1.79%	7.01%	1.24%
2000	16,550	-6.87%	-4.28%	1,455,300	1.53%	8.54%	1.14%
2001	16,700	0.91%	-3.37%	1,479,100	1.64%	10.18%	1.13%
2002	16,750	0.30%	-3.07%	1,486,600	0.51%	10.69%	1.13%
2003	16,800	0.30%	-2.77%	1,496,200	0.65%	11.34%	1.12%

Source: California Department of Finance

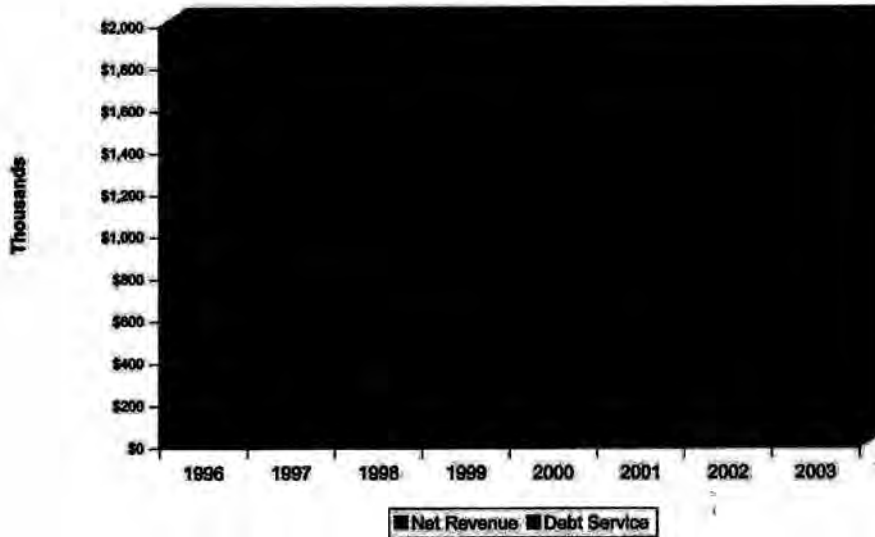
**CITY OF ALBANY
PROPERTY VALUES AND CONSTRUCTION
LAST TEN FISCAL YEARS**



Fiscal Year	Property Values	New Commercial Construction		New Residential Construction	
		Number of Permits	Value	Number of Permits	Value
1994	\$ 713,649,015	30	\$ 881,300	2	\$ 424,416
1995	739,622,853	45	5,661,898	5	357,800
1996	761,821,981	10	981,600	4	748,000
1997	821,076,227	1	375,000	3	593,898
1998	823,475,667	0	0	4	1,183,345
1999	835,085,828	0	0	0	0
2000	898,711,815	0	0	0	0
2001	996,627,602	0	0	1	515,294
2002	1,082,421,883	2	771,330	5	6,610,156
2003	1,149,790,401	1	298,985	3	457,668

Source: City of Albany Community Development Department

**CITY OF ALBANY
SEWER REVENUE BOND COVERAGE
LAST EIGHT FISCAL YEARS**



Fiscal Year	Revenues	Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
1996	\$ 1,667,508	\$ 840,949	\$ 826,559	\$ 165,000	\$ 191,866	\$ 356,866	2.32
1997	1,544,507	817,183	727,324	170,000	202,905	372,905	1.95
1998	1,867,296	1,675,802	191,494	175,000	195,574	370,574	0.52
1999	3,470,827	1,520,813	1,950,014	185,000	187,924	372,924	5.23
2000	1,667,276	1,073,544	593,732	190,000	177,263	367,263	1.62
2001	1,864,489	852,810	1,011,679	200,000	168,834	368,834	2.74
2002	1,975,339	1,246,336	729,003	210,000	159,980	369,980	1.97
2003	1,844,248	1,026,301	817,947	215,000	150,868	365,868	2.24

Sewer Revenue Bonds were issued in 1994-95.

Revenues include operating revenues, operating transfers in and other non-operating revenues.
Expenses include operating expenses and operating transfers out.

Source: Official Statements for Sewer Revenue Bond Funds
City of Albany financial reports

CITY OF ALBANY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2003

	Percent <u>Applicable</u>	Debt <u>06/30/03</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Peralta Community College District	3.115%	\$ 3,463,724
Albany Unified School District	100.000%	24,320,000
City of Albany	100.000%	8,000,000
East Bay Municipal Utility District	1.122%	53,688
East Bay Municipal Utility District, Special District No. 1	2.848%	1,188,470
East Bay Regional Park District	0.590%	946,832
City of Albany Assessment District No. 1996-1	100.000%	5,585,000
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		43,557,714
Less: East Bay Municipal Utility District (100% self-supporting)		53,688
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		43,504,026
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Alameda County General Fund Obligations	0.986%	5,425,110 (1)
Alameda County Pension Obligations	0.986%	3,994,367
Alameda County Board of Education Certificates of Participation	0.986%	31,503
Alameda-Contra Costa Transit District Certificates of Participation	1.173%	261,755
City of Albany Certificates of Participation	100.000%	3,315,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		13,027,735
 GROSS COMBINED TOTAL DEBT		 <u>\$56,585,449</u> (2)
NET COMBINED TOTAL DEBT		<u>\$56,531,761</u>

(1) Includes share of Oakland-Alameda County Coliseum obligations.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$8,000,000)	0.68%
Total Gross Direct and Overlapping Tax and Assessment Debt ...	3.71%
Total Net Direct and Overlapping Tax and Assessment Debt	3.71%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$3,315,000)	0.28%
Gross Combined Total Debt	4.85%
Net Combined Total Debt	4.84%

Source: California Municipal Statistics, Inc.

CITY OF ALBANY
 COMPUTATION OF LEGAL DEBT MARGIN
 JUNE 30, 2003

ASSESSED VALUATION:

Net assessed value	\$ 1,149,790,401	
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BONDED DEBT LIMIT (15% of assessed value)		\$ 172,468,560
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Lease Revenue Bonds	3,315,000	
General Obligation Bonds	<u>8,000,000</u>	

Total Bonded Debt	11,315,000	
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Less Lease Revenue Bonds, not subject to limit	<u>3,315,000</u>	
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Amount of debt subject to limit		<u>8,000,000</u>
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LEGAL DEBT MARGIN		<u>\$ 164,468,560</u>
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SOURCE: City of Albany financial reports

CITY OF ALBANY
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
JUNE 30, 2003

Fiscal Year	City Population	Net Assessed Value	Gross Bonded Debt	Less Debt Service Fund (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003	16,800	\$ 1,149,790,401	\$ 8,000,000	-	\$ 8,000,000	0.70%	\$ 476.19

(1) Amount available for repayment of general obligation bonds.

SOURCES: City of Albany financial reports
Alameda County Auditor-Controller Office
California Department of Finance

CITY OF ALBANY
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
 BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES
 JUNE 30, 2003

<u>Fiscal Year</u>	<u>Total General Obligation Bonded Debt Service Expenditures</u>	<u>Total General Government Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2003	\$ -	\$ 17,921,574	*

* General obligation bonds were issued in June 2003, no debt service expenditures were made in this fiscal year.

SOURCES: City of Albany financial reports

CITY OF ALBANY
 PRINCIPAL TAXPAYERS
 JUNE 30, 2003

<u>Assessed Name</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Ladbroke Land Holdings Inc	\$ 31,358,059	2.73%
Biggs, Edward & Charlotte	6,762,137	0.59%
Eichner, Erik & Rose	6,660,863	0.58%
TMG Albany Associates LP	6,064,512	0.53%
Safeway Inc	4,052,662	0.35%
Mahmoudian M & Murray T C Trs Exemption Trust	3,628,363	0.32%
Ritchey Deborah L Etal	3,608,107	0.31%
Albany Bowl Properties	3,386,618	0.29%
Biggs, Edward & Charlotte	2,594,088	0.23%
Hillside Partners	<u>1,568,902</u>	<u>0.14%</u>
Top Ten Total	<u>\$ 69,684,311</u>	<u>6.06%</u>
City Total	<u>\$ 1,149,790,401</u>	

Source: County of Alameda

CITY OF ALBANY
LARGEST EMPLOYERS
JUNE 30, 2003

Company	Product /Service	Employees
Albany Unified School District	Education	500
United States Department of Agriculture and Research	Agricultural Research	475
Golden Gate Fields	Race Track	300
City of Albany	Government	119
United States Department of Forest Services	Forest Research	76
Safeway	Grocery	85
Albany Ford Subaru	Automotive Dealer	73
Albany Bowl Properties	Bowling	40
Sizzler USA Restaurants	Restaurant	30
NVT Technologies Inc.	Maintenance Services	35

Source: City of Albany business license applications and survey of employers.

CITY OF ALBANY
 MISCELLANEOUS STATISTICS
 JUNE 30, 2003

DATE OF INCORPORATION	1908	PARKS & RECREATION:	
FORM OF GOVERNMENT	Council-Administrator	PARKS	8
EMPLOYEES	119	ACRES IN PARKS	22.5
		**TAXABLE SALES	\$124,461,444
FIRE PROTECTION:		NUMBER OF REGISTERED VOTERS	9,135
NUMBER OF STATIONS	1	COMMUNITY FACILITIES:	
NUMBER OF FIREFIGHTERS	20	CITY HALL	
		LIBRARY	
POLICE PROTECTION:		COMMUNITY CENTER	
NUMBER OF STATIONS	1	SENIOR CENTER	
NUMBER OF POLICE OFFICERS	27	TEEN CENTER	
NUMBER OF SUPPORT PERSONNEL	8	CHILD CARE CENTER	
		EDUCATION:	
		ELEMENTARY SCHOOLS	3
		MIDDLE SCHOOLS	1
		HIGH SCHOOLS	1
		CONTINUATION SCHOOL	1
		ADULT SCHOOL	1
LENGTH OF SEWER LINES	196,000 Lineal feet		

Source: Various City records