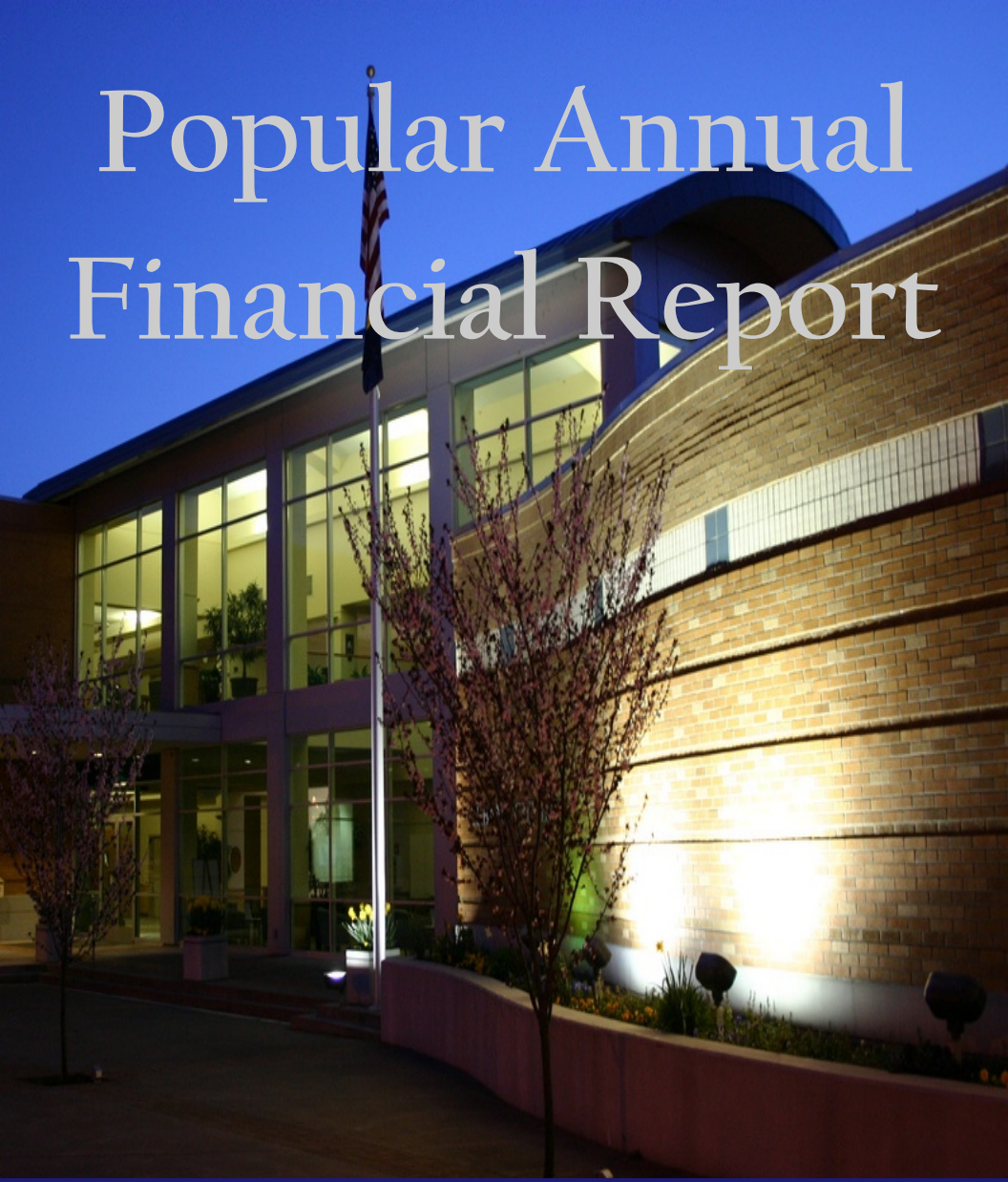
Popular Annual Financial Report



For Fiscal Year Ended June 30, 2012

City of

Albany, Oregon

Citizen's Academy

The Albany Police Citizen's Academy is offered free to residents of Albany who are at least 18 years of age and pass a criminal background check. The Academy is designed to promote awareness and understanding of the Albany Police Department's role in the community, the criminal justice system, and to educate citizens about the Department's daily functions and operations.

Citizens attend 39 hours of interactive classroom and hands-on instruction. Topics include police officer selection, training, and duties; investigation skills; tactical operations; use of force and defensive tactics; canine procedures; firearms use; narcotics investigations; crime scene processing; and crime prevention.

Applications are available online at http://www.cityofalbany.net/police or at the Police Department, 1117 Jackson Street SE, Albany.

Table of Contents

Award for Outstanding Achievement.....4
The City of Albany.....5
Albany's Governance.....6
From the City Manager.....7
2011-2012 Audit Highlights.....8
General Financial Information.....9
Balance Sheet.....10
Income Statement.....11
Overview of Revenues.....12
Property Taxes.....13
Revenue History.....14
Overview of Expenditures.....16
The Budget.....17
In the Spotlight.....18
Financial Policies.....19
Contact Us.....20

The information in this report was taken from the City of Albany Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. To view the CAFR in its entirety, please visit the City's website at www.cityofalbany.net.

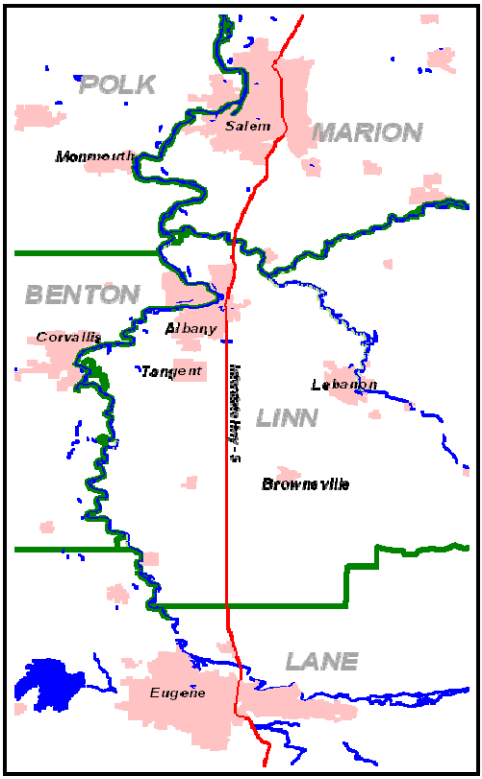
Award for Outstanding Achievement

This is the first year the City of Albany has produced a Popular Annual Financial Report (PAFR). As with its Comprehensive Annual Financial Report and Budget Document, the City plans to submit the PAFR to the Government Finance Officers Association of the US & Canada (GFOA) for the Award for Outstanding Achievement in Popular Annual Financial Reporting.

Talking Water Gardens Photo by Alan Howe

The City of Albany

The City of Albany is located in both Linn and Benton Counties. It is the county seat of Linn County and has been called the "hub" of the Willamette Valley due to its location at the junction of US Highways 20 and 99E, and Interstate 5.



The City provides a full range of municipal services to a 2012 estimated population of 50,520. Nearly 86 percent of the City's population resides in Linn County.

Rare metals provide the largest single source of employment within the city limits. The US Bureau of Mines, which opened a research facility in Albany in 1943, introduced rare metal technology. The primary rare metal industrial plants are Wah Chang, a subsidiary of Allegheny Technologies, and its sister company Allvac Albany.

Albany's Governance

The City of Albany, founded in 1848, was incorporated in 1864 and adopted a home-rule charter in 1891. It operates under the provisions of its own Charter and applicable state law. The City has a City Manager/Council form of government. The City Council consists of seven members, each elected by the citizens of Albany. Councilors are elected to serve overlapping four-year terms. There are three wards with two councilors representing each ward. The Mayor is elected at-large by the entire City and serves a two-year term. The Mayor presides over all Council meetings and may vote only in case of a tie. All Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy.

Elected officials:

Sharon Konopa, Mayor
Dick Olsen, Councilor, Ward Ia
Floyd Collins, Councilor, Ward Ib
Ray Kopczynski, Councilor, Ward IIa
Bill Coburn, Councilor, Ward IIb
Bessie Johnson, Councilor, Ward IIIa
Jeff Christman, Councilor, Ward IIIb

Appointed official:

Wes Hare, City Manager

Albany City Council

From the City Manager

Dear Citizens of Albany:

Albany Station REA Building

The City of Albany is committed to meeting the highest standards for communicating financial information to our citizens. We greatly appreciate the good work of the Government Finance Officers Association (GFOA) in developing these standards for budget presentation and financial reporting. We have achieved both the budget and financial reporting awards for many years and are now pleased to submit our qualifications for the Popular Annual Financial Report (PAFR).

We include achieving the GFOA standards in our Strategic Plan as a part of our commitment to effective, transparent government, and believe that they help drive improvement within our organization. Additionally, receiving these awards helps build trust with the citizens of Albany that their resources are managed honestly and well.

Finally, these awards affect our entire organization by motivating all departments to routinely follow best financial practices. Nearly all of the City's financial information is automatically updated every day and made available to our citizens through our website Dashboard. Our continuing goal is to offer honest, comprehensive financial information to our community, recognizing that we will expose both our successes and our mistakes.

Sincerely,

Wes Hare
City Manager

2011-2012 Audit Highlights

The following highlights are taken from the Management Discussion and Analysis section of the 2011-2012 Comprehensive Annual Financial Report (CAFR) and represent all funds reported in the CAFR:

The CAFR for the year ended June 30, 2012, received an unqualified opinion from the audit firm Boldt, Carlyle, & Smith, LLC, and has been submitted to the Government Finance Officers Association of the United States & Canada (GFOA) for consideration of the Certificate of Achievement for Excellence in Financial Reporting. The City has received this award for the last 27 consecutive years (1984-2011).

Downtown Albany

- At June 30, 2012, the City's assets totaled $432.8 million, consisting of $336.7 in capital assets, $52.2 million in unrestricted cash and investments, $23.9 million in inventories and prepaid items, and $20.0 million in receivables.

- The assets exceeded the liabilities of the City at June 30, 2012 by $305.2 million. $46.5 million may be used to meet the City's ongoing obligations to citizens and creditors. This represents a increase of $6.5 million in comparison to the previous year.

- The City's governmental activities generated $6.9 million in charges for services and obtained $7.9 million in operating and capital grants. Direct expenses, including interest on long-term debt for governmental activities, were $49.4 million, resulting in $34.6 million in net expenses.

- Fund balances in the City's governmental funds decreased $3.0 million to $35.1 million as of June 30, 2012. A significant cause for the decrease is the transfer from the Street Fund to Capital Projects for the Oak Street project.

General Financial Information

Most City services and projects are accounted for in a set of accounts known as governmental funds. The following are the funds (and descriptions) currently in use by the City:

- **General Fund** - Accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.

- **Special Revenue Funds** - Account for proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than payment of debt or funding of capital projects. Special Revenue funds don't include resources held in trust for individuals, private organizations, or other governments.

- **Debt Service Fund** - Accounts for the accumulation of funds that are restricted, committed, or assigned to expenditure for principal and interest on debt.

- **Capital Projects Fund** - Accounts for resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of capital facilities and other capital assets. The Capital Projects Fund does not account for assets financed by proprietary funds, or for assets that will be held in trust for individuals, private organizations, or other governments.

Proprietary Funds - Account for activities the City operates similarly to a business. The City has two proprietary funds: the Sewer and Water Funds.

Fiduciary Funds - Used to report assets held in a trustee or agency capacity for others. These assets cannot be used by the City to support its own programs. The City has two fiduciary funds: the Senior Center Endowment Fund, which receives donations dedicated to the Senior Center; and the Library Trust Fund, which accounts for the Veda O. Torney Trust for the purchase of children's library books and the Manela Trust for the purchase of scientific, educational, and technical books.

The PAFR charts and graphs focus on the City's governmental funds and do not include proprietary or fiduciary funds or the City's component unit, the Albany Revitalization Agency.

Balance Sheet

A statement of financial position (Statement of Net Assets) shows 1) assets and the deferred outflows of resources; 2) liabilities and the deferred inflows of resources; and 3) the difference between them (net assets). At June 30, 2012, the City's assets exceeded its liabilities by $129 million. The chart below shows a high-level summary of the City's financial position. For greater detail of the report please see the City's CAFR, which is available online at http://www.cityofalbany.net.

City of Albany ◊ Statement of Net Assets

(nearest thousands)

Assets	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012
Current assets	$ 54,664,000	$ 54,467,000	$ 51,209,000
Capital and other assets	100,684,000	101,194,000	102,295,000
Total assets	155,348,000	155,661,000	153,504,000
Liabilities			
Current liabilities	7,587,000	6,456,000	6,410,000
Long-term liabilities	21,720,000	19,354,000	17,846,000
Total liabilities	29,307,000	25,810,000	24,256,000
Net Assets	$ 126,041,000	$ 129,851,000	$ 129,248,000

2012 Northwest Art and Air Festival

Photo by Gary Thurman

Income Statement

City of Albany ◊ Statement of Activities

(nearest thousands)

	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012
Expenditures	$ 52,031,000	$ 49,233,000	$ 49,356,000
Program revenues	17,072,000	18,823,000	14,752,000
General revenues	50,693,000	34,219,000	34,001,000
Change in net assets	15,734,000	3,809,000	(603,000)
Net assets - beginning	110,308,000	126,042,000	129,851,000
Net assets - ending	$ 126,042,000	$ 129,851,000	$ 129,248,000

Governments are not motivated by profit, as are businesses. Instead, governments are interested mainly in providing services. The format of the income statement (Statement of Activities) focuses on the cost (expense) of doing business. The revenues are broken into two categories; 1) revenues directly associated with identifiable programs and 2) revenues that are not reported as program revenues (i.e., property taxes). The above report is a high-level summary of the City's resource flows. For a more detailed report, please see the City's CAFR, which is available at http://www.cityofalbany.net.

Overview of Revenues

The City utilizes 17 funds to account for governmental services. These funds are grouped into two separate categories: governmental activities and business-type activities. Governmental activities are the basic services provided by the City and include services such as public safety (police and fire), public works, parks and recreation, library, municipal airport, and general administration. Property taxes and franchise fees fund the majority of these services.

Business-type activities of the City are its water and sewer services. The City charges fees to customers to cover the costs of providing these services. The City Council reviews increases to the sewer and water rates on an annual basis to cover debt service for major construction projects and inflation.

Major Revenue Types:

Property taxes

The City of Albany levies the following property taxes:

- The City of Albany's permanent rate of $6.3984 per $1,000 of assessed value.
- In November of 2006, the citizens of Albany passed a five-year levy to fund police and fire services. The rate is $0.95 per $1,000 of assessed value. The budget passed for fiscal year 2012-13 is the fifth year of the levy.

Franchise fees

Fees charged to utilities for the use of public right-of-way.

Fees and charges for services

Fees received for services, including sewer, water, and park fees.

Licenses and fees

Revenue from the issuance of licenses such as permits and business licenses, and fees including court and library fines.

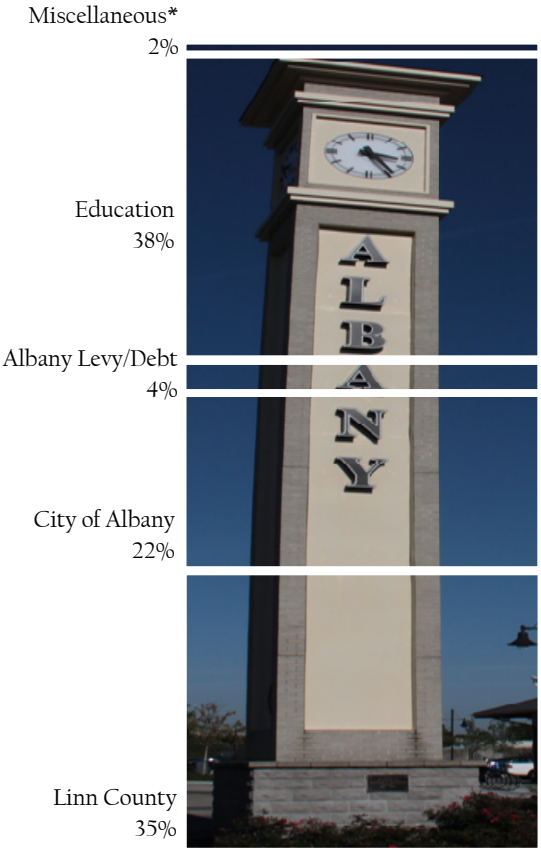
Intergovernmental revenue

Revenue received from other governments (federal, state, county) in the form of grants and shared revenues.

Property Taxes

Linn County assesses property taxes on behalf of all taxing jurisdictions within the county. In addition to the City, these include the county, schools, and special districts. For each dollar that is assessed, the City receives $0.22 for general operations. The City also receives $0.04 for the Public Safety Levy and debt service.

*Miscellaneous includes Albany Rural Fire District and 4-H Extension Service



North Albany and Benton County

Residents of North Albany are assessed in and pay property taxes to Benton County as this portion of Albany lies across the Willamette River in Benton County.

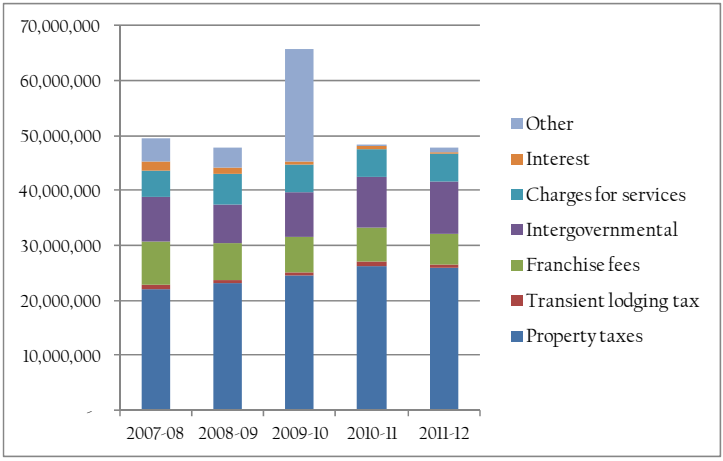
Benton County assessed the residents of North Albany $4,802,133 for the 2011-2012 fiscal year. This amount is not included in the graphic presented above.

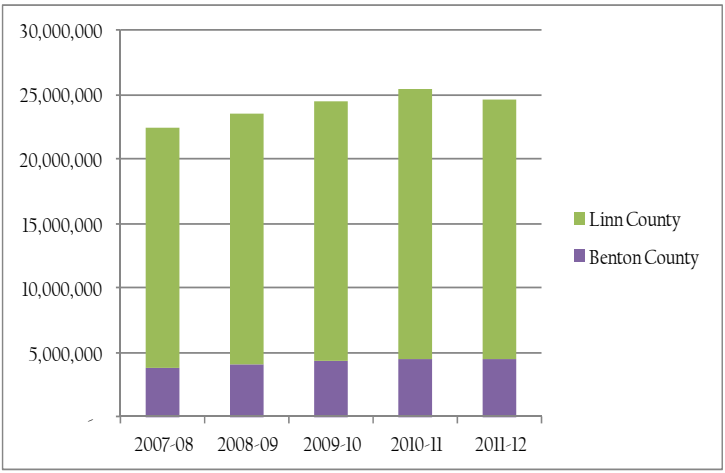
Revenue History

Governmental Activities Notes:

- In 2009-10, the City received an $18 million settlement from SVC Manufacturing, a wholly-owned subsidiary of Pepsi, which explains the spike in other revenues for the year.
- While it shows that property tax revenue is increasing, in the second chart the total dollars assessed is decreasing. The increase in revenues for 2010-11 can be attributed to increased percentage collected. For fiscal year 2011-12, the amount collected decreased.
- Interest earned on investments and amounts held in the Local Government Investment Pool (LGIP) has decreased 80.36% from 2007-08 to 2011-12.

Revenue Collections - last five fiscal years



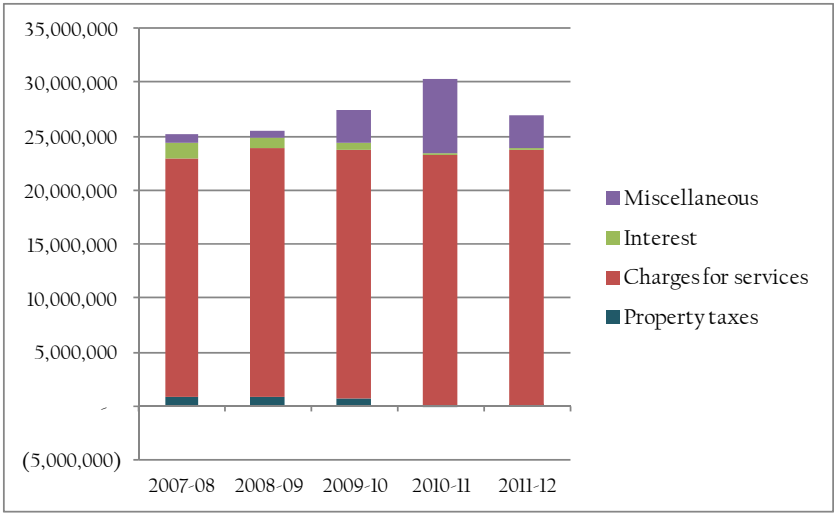


Property Taxes Assessed - last five fiscal years

Revenue History (cont)

Business-Type Activities Notes:

- In 1998 the City issued $7,865,000 of general obligation bonds to advance refund the Advance Refunding General Obligation Water Bonds, Series 1987. Since the bonds were paid in full during fiscal year 2009-10, the Water Fund no longer receives property tax revenue.
- Interest earned on investments and amounts held in the Local Government Investment Pool (LGIP) has decreased 84.44% from 2007-08 to 2011-12.

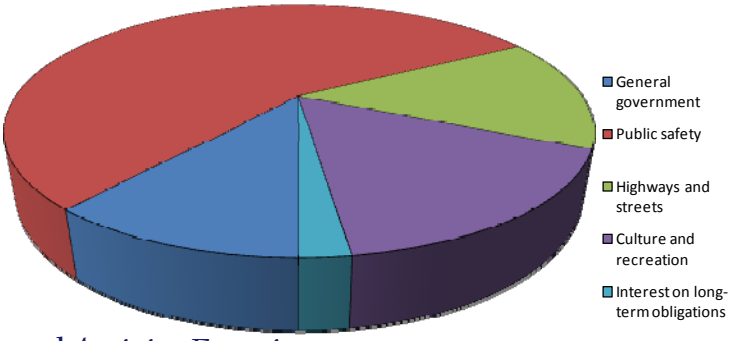


Turtle at Talking Water Gardens

Spreading biosolids from treatment plant

Overview of Expenditures

As of June 30, 2012



Governmental Activity Functions

General government - This function includes expenditures incurred by the City Council, City Manager, Finance, Human Resources, Information Technology and Planning.

Public safety - This function includes expenditures incurred by the Fire and Police departments, including the Public Safety Levy.

Highways and streets - This function includes expenditures of the Public Works department.

Culture and recreation - This function includes expenditures incurred by the Library and Parks & Recreation.

Interest on long-term obligations - This function includes interest payments on general obligation, special assessment, and revenue bond debt issues financed by property taxes, and property assessments.

Logs to Lumber project

More than half of all governmental activity expenses are for public safety. Public safety accounts for 55.9 percent of expenses. Highways and streets represents 14.4 percent of total expenses, with general government at 11.2 percent.

Interest on long-term debt obligations accounts for 2.2 percent of governmental activity expenses, indicating a favorable debt position for the City.

The Budget

On May 18, 2011, the 12-member Budget Committee approved the City of Albany budget for fiscal year 2011-2012. On June 08, 2011, the Albany City Council adopted the budget in the amount of $164,966,200. The budget, along with the previous three fiscal years for comparison, is detailed in the table below.

The overall budget for fiscal year 2011-2012 represents a 10.94 percent decrease from fiscal year 2010-2011. Contributing to the overall decrease was a decrease in capital expenditures of 28.24 percent and a decrease in debt service payments of 13.06 percent.

Personnel services continues to be of concern, increasing 3.44 percent over the previous year. Personnel services represents 40.88 percent of the operating budget and 26.54 percent of the total budget.

Total revenues were not enough to meet expenditures, reducing contingency by 15.20 percent from the previous year.

	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Personnel Services	$ 40,483,600	$ 41,583,200	$ 42,325,800	$ 43,782,600
Materials & Services	35,247,700	34,824,200	32,210,800	33,176,500
Debt Service	9,128,000	24,685,100	23,154,000	20,130,000
Transfers	8,979,200	17,984,000	7,526,800	10,015,500
Total Operating Budget	93,838,500	119,076,500	105,217,400	107,104,600
Capital Outlay	81,776,100	58,167,600	76,735,600	55,068,600
Contingency	3,549,000	3,422,400	3,140,600	2,663,200
Unappropriated	129,400	129,900	130,900	129,800
Total City Budget	$ 179,293,000	$ 180,796,400	$ 185,224,500	$ 164,966,200

The City of Albany Budget Document

The City's published budget document can be found online at http://www.cityofalbany.net

In the Spotlight

Parks & Recreation

The Parks & Recreation Department employs 25.80 full-time-equivalent employees. It is responsible for 16 programs within the Parks & Recreation Fund. Among those programs are Albany Community and Cool! pools, Senior Services, Urban Forestry, Northwest Art & Air Festival, and Parks Maintenance, which maintains 33 city parks. The Parks & Recreation Department operated on a budget of $5,887,500 during fiscal year 2011-2012.

Cool! Pool

During the summer, the Parks & Recreation Department organizes three major events that draw over 80,000 in attendance each year. For fiscal year 2011-2012, the attendance for Mondays @ Monteith, River Rhythms Concert Series, and Northwest Art & Air Festival was 4,319, 30,625, and 48,980 respectively. The cost of providing these events was $331,953. The Department obtained sponsorship revenue in the amount of $316,534, a 95% recovery rate.

Our Many Volunteers

There were a total of 417 volunteers for the 2011-2012 events for a total of 4,197 volunteer hours. Using the 2011 national independent sector rate of $21.79 per hour, community members contributed $91,452.63 to the events.

Financial Policies

Financial Policy

It is the policy of the City of Albany to actively manage financial, operational, and budgetary affairs within established guidelines in order to maintain financial stability both now and in the future.

Investment Policy

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in the following order of priority:

1. **Safety of Principal** - Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

2. **Liquidity** - The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.

3. **Yield-Return** - The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow of the portfolio. "Market rate of return" may be defined as the average yield of the current three-month U.S. Treasury bill or any other index that most closely matches the average maturity of the portfolio.

Risk Management Policy

It is the policy of the City of Albany to proactively identify and manage the inherent risks of providing municipal services. Potential losses will be mitigated through employee safety committees, loss prevention programs, property and liability insurances, workers' compensation, and employee health, life and disability benefits.

The financial policy documents, in their entirety, can be found online at http://www.cityofalbany.net in the FY 2011-12 budget document.

Contact Us

City of Albany Finance Staff

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The financial statements of the City are intended to provide its citizens, investors, creditors, and customers with a general overview of the finances of the City. The financial statements also demonstrate the City's accountability for the resources it receives and expends.

The information in this report is taken from the audited Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The financial data in this report is consistent with Generally Accepted Accounting Principles (GAAP).

For further detail of the information provided in this report, the CAFR and the Fiscal Year 2011-12 Budget Document can be viewed online. Physical copies can be requested by email or requested in person at :

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Albany, OR 97321

http://www.cityofalbany.net