

Marina Redevelopment Agency
Basic Financial Statements
Fiscal Year Ended June 30, 2010

MARINA REDEVELOPMENT AGENCY

Basic Financial Statements

Year Ended
June 30, 2010

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Agency Board Members of the Marina Redevelopment Agency
Marina, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Marina Redevelopment Agency, a component unit of the City of Marina, California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the component unit basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Marina Redevelopment Agency. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Marina Redevelopment Agency as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in Note 2 to the financial statements, the Agency adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for fiscal year ending on June 30, 2010.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marina Redevelopment Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2010 on our consideration of the Marina Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman Mc Cann P.C.

San Jose, California
October 25, 2010



October 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Marina Redevelopment Agency annual financial report presents management's discussion and analysis of the Agency's finances during the fiscal year ended June 30, 2010. As a component unit of the City of Marina, the Agency's financial statements are presented as an integral part of the City of Marina's financial statements. In addition, the Agency's discrete financial statements are presented below.

FINANCIAL HIGHLIGHTS

- The Agency's total net assets at June 30, 2010 were \$1,413,670.
- Total net assets decreased by \$844,201 during the year, due to on-going redevelopment expenditures for Board-approved, multi-year programs exceeding current-year revenues. This does not denote 'deficit spending;' redevelopment agencies typically accumulate tax increment revenues and other resources for several years, then expend those resources on approved projects in a single year.
- During previous years, Project Area #3 (Former Fort Ord) borrowed \$337,000 from the City of Marina, comprising cash-flow loans of \$187,000 and \$150,000, to finance North and West University Villages Outreach and 2nd Avenue telecommunications conduit positioning, respectively. Principal payments during prior years, including \$44,913 during FY 09/10, have reduced interfund principal debt on these obligations at June 30, 2010 to \$196,815. During 2006/07, additional loans totaling \$1,133,514 were advanced from the City to the Agency to enable redevelopment projects whose cash receipts lag behind related costs. During FY 09/10 \$1,000,000 of these loans was repaid, leaving \$133,514 still outstanding. The remaining loans will be repaid as cash flows permit.
- The Agency incurred no other new long-term indebtedness during 2009/2010, and reduced pre-existing long-term bonded debt principal by \$135,000.
- As required by State Assembly Bill X4-26, the Agency made payment of \$485,715 to the State for FY 2009-10 Supplemental Educational Revenue Augmentation Fund (SERAF), which significantly reduces available resources to complete Agency projects. The California Redevelopment Association (CRA) is appealing a May 2010 Sacramento Superior Court decision by Judge Lloyd Connelly which upheld the legality of Assembly Bill X4-26. ABX4026 was passed in July 2009 as part of the 2009/10 state budget and authorized a total of \$2.05 billion in local

redevelopment tax revenue shifted to fund the state's obligation to schools. In requiring the transfer of redevelopment funds from local communities ultimately to fill state budget holes, AB X4-26 violates the State Constitution. The first \$1.7 billion payment was paid by redevelopment agencies to county auditors on May 10, 2010. The Appeals seeks repayment of those funds by the State and a prohibition of the second payment of \$350 million due in 2011. CRA hopes the Court of Appeal will rule by May, 2011 before the next payments are due.

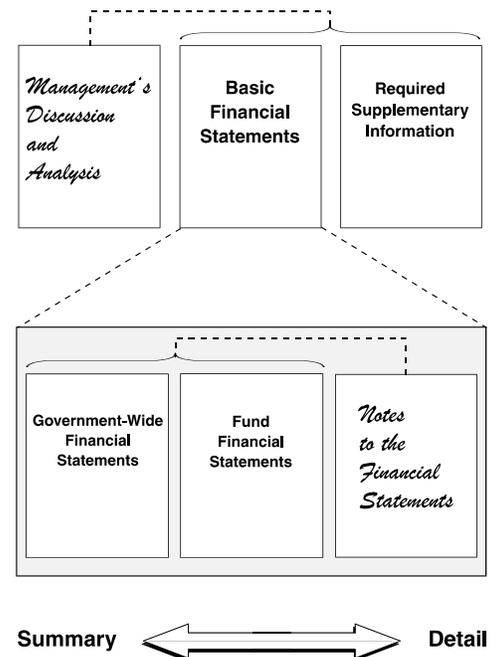
- During the current year, the Board amended the Redevelopment Plans to accomplish the following:
 - Fiscally merge all three (3) Redevelopment Plans and replace existing separate financial limits with a single merged tax increment of \$4,000,000,000 and merged bond debt limit of \$655,000,000;
 - Extension of the plan debt incurrence time limit for ten (10) years in the Marina Municipal Airport and Former Fort Ord Project Areas;
 - Reauthorization or extension of the time limit for eminent domain over nonresidential properties in all three Project Areas;
 - Conform time limits for the Marina Municipal Airport and Former Fort Ord Redevelopment Plans to conform with CRL requirements for military base closure, and;
 - Extend the Redevelopment Plan effectiveness by one year for making the FY 2003-04 Educational Revenue Augmentation Fund (ERAF) payment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include three components:

- First are two government-wide financial statements that provide both long-term and short-term information about the Agency's overall financial status.
- The remaining statements are fund financial statements, focusing on individual parts of the Agency, that report the Agency's operations in more detail than the government-wide statements. The fund statements tell how government services were financed in the short term as well as what remains for future spending.
- The notes to financial statements explain and expand on the information contained in the government-wide and fund financial statements.

Figure A: Required Components of the Agency's Annual Financial Report



The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statement information. Figure A demonstrates the way required parts of this annual report are arranged and shows how they relate to one another.

Government-wide Statements report information about the Agency as a whole using accounting methods similar to private-sector companies. The statements of net assets and changes in net assets include all Agency assets and liabilities and all revenues and expenses, regardless of when cash is received or paid. Net assets - the difference between the Agency's assets and liabilities - help measure the Agency's financial health or position. Increases or decreases in the Agency's net assets might, but do not necessarily, indicate whether its financial health is improving or deteriorating. To properly evaluate the Agency's overall health, one must also consider many nonfinancial factors such as the Agency's policies, goals and objectives; management's implementation plans; staffing levels; naturally-occurring changes in the revenue base and non-discretionary cost structure; and the local, state and national economies.

Fund Financial Statements provide detailed information about the Agency's individual funds, grouped by type, not the Agency as a whole. Funds are fiscal and accounting entities used to track specific revenues and expenditures, which management establishes to control and manage money that is segregated for the purpose of carrying on specific activities or to demonstrate that certain resources are properly utilized. Some funds are mandated by State law (Housing Funds); some by bond covenants (Debt Service Funds); and others by management to better account for discrete revenues and costs.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's net assets of \$1,413,670 and \$2,257,871 at June 30, 2010 and 2009, respectively, and changes in net assets during the fiscal years, are detailed in the following schedules.

NET ASSETS

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
ASSETS		
Current Assets		
Cash	\$ 2,488,801	\$ 4,475,562
Accrued Receivables	2,515	20,417
Prepaid Expense	13,775	14,760
Capital Assets (Land)	<u>900,000</u>	<u>900,000</u>
Total Assets	<u>\$ 3,405,091</u>	<u>\$ 5,410,739</u>
LIABILITIES		
Current Liabilities		
Accrued Payables	\$ 335,024	\$ 412,631
Pass-throughs & Deposits	<u>481,068</u>	<u>384,995</u>
Total current liabilities	\$ 816,092	\$ 797,626
Advances from City of Marina	330,329	1,375,242
Bonds Payable	<u>845,000</u>	<u>980,000</u>
Total Liabilities	<u>\$ 1,991,421</u>	<u>\$ 3,152,868</u>
 Net Assets	 <u>\$ 1,413,670</u>	 <u>\$ 2,257,871</u>

CHANGES IN NET ASSETS

	Fiscal Year Ended	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
REVENUES		
Property Tax Increment	\$ 3,230,674	\$ 2,858,150
Less Pass-through & ERAF Pmts	<u>(2,091,014)</u>	<u>(1,208,242)</u>
Net Taxes	\$ 1,139,660	\$ 1,649,908
Charges for Services & Rents	43,884	101,964
Investment Earnings	16,131	63,376
Transfers from City of Marina	65,100	-
Other	<u>38,279</u>	<u>29,210</u>
Net Revenues	<u>\$ 1,303,054</u>	<u>\$ 1,844,458</u>
EXPENDITURES		
Program Expenditures*		
Redevelopment Planning, Housing, Debt Service & Administration	<u>\$ 1,794,583</u>	<u>\$ 1,621,561</u>
 Revenues Over(Under) Exp	 \$ (491,529)	 \$ 222,897
Transfers To City of Marina	<u>(352,672)</u>	<u>(706,267)</u>
Incr(decr) in Net Assets	\$ (844,201)	\$(483,370)
Period Adjustment	-	34,339
Net Assets - Beginning	<u>2,257,871</u>	<u>2,706,902</u>
 Net Assets - Ending	 <u>\$ 1,413,670</u>	 <u>\$ 2,257,871</u>

*- Net assets measurement excludes transfers between Agency funds and debt principal repayment. During the current year, the three original redevelopment project areas were merged pursuant to California Redevelopment Law. Therefore, it would be incorrect to report expenditures by project area, as in prior years' reports. For the sake of consistency and comparability, expenditures for fiscal year ended June 30, 2009, have been restated to conform to the June 30, 2010, merged reporting format.

BUDGET HIGHLIGHTS

- *On-going revenues.* Property Tax Increment increased by \$372,524 - about 13%. Related pass-through payments (negotiated and statutory tax increment payments to other taxing agencies) and SERAF payment increased by \$397,057 and \$485,715 respectively. Both the tax increment and pass-through increases resulted primarily from cumulative adjustments calculated by Kayser Marston Associates, consultants engaged by the Agency. Investment earnings declined significantly from the prior year due to dramatically diminished rates of return on cash balances held in the California Local Agency Investment Fund (LAIF).
- *Expenditures.* Redevelopment expenditures vary from year to year as development activity and related project costs fluctuate. On-going current-year expenditures did not materially vary from the prior years or from the budgets adopted for the current year. As future redevelopment activity continues, Agency-wide revenues and related development-driven costs will change accordingly. The Board will adopt and/or amend the budget commensurate with redevelopment project requirements.

During the year, the Agency made various revisions to its operating budget in accordance with procedures established by the Board, as indicated below.

AGENCY-WIDE BUDGET CHANGES & ACTUAL-BUDGET COMPARISON

	Original Budget	Board- Approved Changes	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Taxes	\$ 3,103,460	\$ -	\$ 3,103,460	\$3,230,674	\$ 127,214
Chrg for Svcs/Rents	43,000	-	43,000	43,884	884
Investment Earnings	35,500	-	35,500	16,131	(19,369)
Interfund Transfers	755,000	2,014,263	2,769,263	2,403,798	(365,465)
Transfers from City	65,100	-	65,100	65,100	-
Other	<u>125,000</u>	<u>(69,000)</u>	<u>56,000</u>	<u>38,278</u>	<u>(17,722)</u>
Total Revenues	<u>\$ 4,127,060</u>	<u>\$ 1,945,263</u>	<u>\$ 6,072,323</u>	<u>\$5,797,865</u>	<u>\$ (274,458)</u>
EXPENDITURES					
Admin & Planning	\$ 2,156,000	\$ (353,050)	\$ 2,509,050	\$ 1,754,576	\$ 754,474
Debt Service	177,919	-	177,919	177,562	357
Interfund Transfers	755,000	(2,014,263)	2,769,263	2,403,798	365,465
Transfers to City	361,977	117,300	244,677	352,672	(107,995)
Pass-Throughs	<u>1,392,800</u>	<u>10,000</u>	<u>1,382,800</u>	<u>2,091,014</u>	<u>(708,214)</u>
Total Expenditures	<u>\$ 4,843,696</u>	<u>\$ (2,240,013)</u>	<u>\$ 7,083,709</u>	<u>\$ 6,779,622</u>	<u>\$ 304,087</u>
Revenues Over(Under) Expenditures & Interfund Transfers	<u>\$ (716,636)</u>	<u>\$ (294,750)</u>	<u>\$ (1,011,386)</u>	<u>\$ (981,757)</u>	<u>\$ 29,629</u>

DEBT ADMINISTRATION

At June 30, 2010, the Agency had \$845,000 in bonds outstanding, consisting of the following issues:

2000 Tax Allocation Series A Bonds (Airport Improvement)	\$ 580,000
2002 Public Safety Building Refinancing Issue	<u>265,000</u>
Total Bond Principal Outstanding June 30, 2010	<u>\$ 845,000</u>

Principal payments during 2009-10 reduced the Agency's outstanding long-term debt by \$135,000, from \$980,000 to \$845,000. More detailed debt information is presented in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Various economic and fiscal indicators were considered and assumptions made when adopting the 2010/11 budget with respect to redevelopment projects, which are difficult to estimate in advance due to the influence of outside forces beyond the Agency's control. This difficulty was compounded by the mid-year merger of the previous three project areas into one merged project area, and the fact that pre-existing debt must be budgeted and accounted for differently than other redevelopment activity. Due to

various national, state and local economic factors which are not reasonably predictable, property tax revenues are not expected to increase significantly for 2010/11. Other on-going revenues and expenditures are budgeted to remain essentially stable. If, during 2010/11 it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the Agency Board will adopt necessary budget amendments.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is intended to provide residents, taxpayers, customers, creditors, stakeholders and other interested parties with an overview of the Agency's finances, and to demonstrate the Agency's accountability for the money it receives and the resources it manages. Questions and comments about this report and requests for additional financial information should be addressed to the Marina Redevelopment Agency, Finance Department, 211 Hillcrest Avenue, Marina, California, 93933.

BASIC FINANCIAL STATEMENTS

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,488,801
Accrued Receivables	2,515
Prepaid Expenses	13,775
Capital Assets - Land	900,000
Total Assets	<u>\$ 3,405,091</u>
 LIABILITIES ACCRUED	
Accounts, Payroll & Interest Payable	\$ 335,024
Tax Increment Payable	476,068
Lease Deposits	5,000
Due to City of Marina	330,329
Long-term Liabilities:	
Bonds Payable:	
Due in Less Than One Year	145,000
Due in More Than One Year	700,000
Total Liabilities	<u>\$ 1,991,421</u>
 NET ASSETS	
Invested in Capital Assets	\$ 900,000
Unrestricted	513,670
Total Net Assets	<u><u>\$ 1,413,670</u></u>

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

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Operating Expenses	Program Revenues Charges for Services	Net (Expense) Revenue & Changes in Net Assets
Redevelopment Activity			
Merged Project Areas Operating	\$ 4,051,208	\$ 147,871	\$ (3,903,337)
Merged Project Areas Housing	144,498	1,711	(142,787)
Interest on Long-term Debt	42,562	710	(41,852)
Total Redevelopment Activity	<u>\$ 4,238,268</u>	<u>\$ 150,292</u>	<u>\$ (4,087,976)</u>
General Revenues			
Property Tax Revenues			
Merged Project Areas			3,230,674
Investment Earnings			
Merged Project Areas			13,101
Total General Revenues			<u>\$ 3,243,775</u>
Change in Net Assets - Operations			(844,201)
Net Assets, Beginning of Year			<u>\$ 2,257,871</u>
Net Assets, End of Year			<u>\$ 1,413,670</u>

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

MARINA REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Major Funds					Non-Major Funds	Total Governmental Funds
	Operating Fund 45	Operating Fund 40	Debt Service Fund 74	Operating Fund 51	Housing Fund 52		
ASSETS							
Cash and Investments	\$ -	\$ -	\$ 270,353	\$ 1,840,079	\$ 359,212	\$ 19,157	\$ 2,488,801
Accrued Receivable	-	-	194	1,864	419	38	2,515
Prepaid Expenditures	-	-	-	-	-	13,775	13,775
Advances to Other Funds	-	-	-	-	284,715	-	284,715
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,547</u>	<u>\$ 1,841,943</u>	<u>\$ 644,346</u>	<u>\$ 32,970</u>	<u>\$ 2,789,806</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ 146,522	\$ 154,309	\$ -	\$ 300,831
Accrued Payroll and Benefits	-	-	-	15,559	-	-	15,559
Lease Deposits	-	-	-	5,000	-	-	5,000
Pass-through Obligations	-	-	-	476,068	-	-	476,068
Due to City of Marina	-	-	-	330,329	-	-	330,329
Advances from Other Funds	-	-	-	284,715	-	-	284,715
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,193</u>	<u>\$ 154,309</u>	<u>\$ -</u>	<u>\$ 1,412,502</u>
Fund Balances							
Restricted for Debt Service	\$ -	\$ -	\$ 270,547	\$ -	\$ -	\$ 32,970	\$ 303,517
Assigned	-	-	-	583,750	490,037	-	1,073,787
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,547</u>	<u>\$ 583,750</u>	<u>\$ 490,037</u>	<u>\$ 32,970</u>	<u>\$ 1,377,304</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,547</u>	<u>\$ 1,841,943</u>	<u>\$ 644,346</u>	<u>\$ 32,970</u>	<u>\$ 2,789,806</u>

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

MARINA REDEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund Balances - Governmental Funds	\$ 1,377,304
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital Assets are not recorded in the Governmental Funds	900,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	
2000 Tax Allocation Bonds	(580,000)
2002 Tax Allocation Bonds	(265,000)
Accrued interest on long-term debt is not reported in the Governmental Funds	<u>(18,634)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,413,670</u></u>

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

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Major Funds					Non-Major Funds	Total Governmental Funds
	Operating	Operating	Debt Service	Operating	Housing		
	Fund 45	Fund 40	Fund 74	Fund 51	Fund 52		
Revenues							
Property Tax Increment	\$ 1,164,608	\$ 1,933,815	\$ -	\$ -	\$ -	\$ 132,251	\$ 3,230,674
Charges for Services	-	-	-	-	-	43,884	43,884
Investment Earnings	4,732	7,005	618	-	-	3,776	16,131
Other	32,993	4,969	-	-	-	316	38,278
Total Revenues	<u>\$ 1,202,333</u>	<u>\$ 1,945,789</u>	<u>\$ 618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,227</u>	<u>\$ 3,328,967</u>
Expenditures							
Redevelopment Planning & Administration	\$ 674,304	\$ 465,071	\$ -	\$ -	\$ -	\$ 615,201	\$ 1,754,576
Debt Service - Principal	-	-	120,000	-	-	15,000	135,000
Debt Service - Interest & Fees	-	-	14,300	-	-	28,262	42,562
Tax Increment Pass-throughs	450,246	1,578,460	-	-	-	62,308	2,091,014
Total Expenditures	<u>\$ 1,124,550</u>	<u>\$ 2,043,531</u>	<u>\$ 134,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720,771</u>	<u>\$ 4,023,152</u>
Revenues Over (Under) Expenditures	<u>\$ 77,783</u>	<u>\$ (97,742)</u>	<u>\$ (133,682)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (540,544)</u>	<u>\$ (694,185)</u>
Other Financing Sources (Uses)							
Transfers In- Agency Funds	\$ -	\$ -	\$ 134,300	\$ 761,044	\$ 490,037	\$ 1,018,417	\$ 2,403,798
Transfers In - City Funds	21,000	-	-	-	-	44,100	65,100
Transfers (Out) - Agency Funds	(667,341)	(688,265)	-	(177,294)	-	(870,898)	(2,403,798)
Transfers (Out) - City Funds	(71,085)	(80,769)	-	-	-	(200,818)	(352,672)
Total Other Financing Sources (Uses)	<u>\$ (717,426)</u>	<u>\$ (769,034)</u>	<u>\$ 134,300</u>	<u>\$ 583,750</u>	<u>\$ 490,037</u>	<u>\$ (9,199)</u>	<u>\$ (287,572)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ (639,643)</u>	<u>\$ (866,776)</u>	<u>\$ 618</u>	<u>\$ 583,750</u>	<u>\$ 490,037</u>	<u>\$ (549,743)</u>	<u>\$ (981,757)</u>
Fund Balances, Beginning of Year	639,643	866,776	269,929	-	-	582,713	2,359,061
Fund Balances, End of Year	<u>0</u>	<u>0</u>	<u>\$ 270,547</u>	<u>\$ 583,750</u>	<u>\$ 490,037</u>	<u>\$ 32,970</u>	<u>\$ 1,377,304</u>

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

MARINA REDEVELOPMENT AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (981,757)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of 2000 Tax Allocation Bonds	15,000
Repayment of 2002 Tax Allocation Bonds	120,000
Reduction of accrued bond interest payable is not reported as an expenditure in the governmental, but decreases liabilities in the statement of net assets	<u>2,556</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (844,201)</u></u>

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

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Operating Fund 45			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenue				
Property Tax Increment	\$ 1,145,460	\$ 1,145,460	\$ 1,164,608	\$ 19,148
Investment Earnings	5,000	5,000	4,732	(268)
Other	65,000	30,000	32,993	2,993
Total Revenue	<u>\$ 1,215,460</u>	<u>\$ 1,180,460</u>	<u>\$ 1,202,333</u>	<u>\$ 21,873</u>
Expenditures				
Redevelopment Planning & Administration	\$ 959,700	\$ 1,087,472	\$ 674,304	\$ 413,168
Tax Increment Pass-throughs	310,300	310,300	450,246	(139,946)
Total Expenditures	<u>\$ 1,270,000</u>	<u>\$ 1,397,772</u>	<u>\$ 1,124,550</u>	<u>\$ 273,222</u>
Revenues Over (Under) Expenditures	\$ (54,540)	\$ (217,312)	\$ 77,783	\$ 295,095
Other Financing Sources (Uses)				
Transfers In - City Funds	21,000	21,000	21,000	-
Transfers (Out) - City Funds	(79,931)	(79,931)	(71,085)	8,846
Transfers (Out) - Agency Funds	(363,400)	(363,400)	(667,341)	(303,941)
Total Other Financing Sources(Uses)	<u>\$ (422,331)</u>	<u>\$ (422,331)</u>	<u>\$ (717,426)</u>	<u>\$ (295,095)</u>
Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	\$ (476,871)	\$ (639,643)	\$ (639,643)	\$ -
Fund Balance, Beginning of Year	523,385	639,643	639,643	-
Fund Balance, End of Year	<u>\$ 46,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Operating Fund 40

Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ 1,853,000	\$ 1,853,000	\$ 1,933,815	\$ 80,815
10,000	10,000	7,005	(2,995)
15,000	26,000	4,969	(21,031)
<u>\$ 1,878,000</u>	<u>\$ 1,889,000</u>	<u>\$ 1,945,789</u>	<u>\$ 56,789</u>
\$ 524,900	\$ 660,100	\$ 465,071	\$ 195,029
1,056,200	1,059,200	1,578,460	(519,260)
<u>\$ 1,581,100</u>	<u>\$ 1,719,300</u>	<u>\$ 2,043,531</u>	<u>\$ (324,231)</u>
\$ 296,900	\$ 169,700	\$ (97,742)	\$ (267,442)
\$ -	\$ -	\$ -	\$ -
(80,769)	(93,468)	(80,769)	12,699
(370,600)	(943,008)	(688,265)	254,743
<u>\$ (451,369)</u>	<u>\$ (1,036,476)</u>	<u>\$ (769,034)</u>	<u>\$ 267,442</u>
\$ (154,469)	\$ (866,776)	\$ (866,776)	\$ -
705,125	866,776	866,776	-
<u>\$ 550,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Debt Service Fund 74			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenue				
Property Tax Increment	\$ -	\$ -	\$ -	\$ -
Investment Earnings	-	-	618	618
Total Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618</u>	<u>\$ 618</u>
Expenditures				
Debt Service - Principal	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Debt Service - Interest & Fees	14,300	14,300	14,300	-
Total Expenditures	<u>\$ 134,300</u>	<u>\$ 134,300</u>	<u>\$ 134,300</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	\$ (134,300)	\$ (134,300)	\$ (133,682)	\$ 618
Other Financing Sources (Uses)				
Transfers In - Agency Funds	\$ 134,300	\$ 134,300	\$ 134,300	\$ -
Transfers (Out) - Agency Funds	-	-	-	-
Total Other Financing Sources(Uses)	<u>\$ 134,300</u>	<u>\$ 134,300</u>	<u>\$ 134,300</u>	<u>\$ -</u>
Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	\$ -	\$ -	\$ 618	\$ 618
Fund Balance, Beginning of Year	134,864	134,864	269,929	135,065
Fund Balance, End of Year	<u>\$ 134,864</u>	<u>\$ 134,864</u>	<u>\$ 270,547</u>	<u>\$ 135,683</u>

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

Operating Fund 51

Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
\$ -	\$ 1,053,958	\$ 761,044	\$ (292,914)
-	(136,784)	(177,294)	(40,510)
<u>\$ -</u>	<u>\$ 917,174</u>	<u>\$ 583,750</u>	<u>\$ (333,424)</u>
\$ -	\$ 917,174	\$ 583,750	\$ (333,424)
-	-	-	-
<u><u>\$ -</u></u>	<u><u>\$ 917,174</u></u>	<u><u>\$ 583,750</u></u>	<u><u>\$ (333,424)</u></u>

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

	Housing Fund 52			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenue				
Investment Earnings	-	-	-	-
Total Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Redevelopment Planning & Administration	\$ -	\$ -	\$ -	\$ -
Professional Services	-	-	-	-
Revenues over (under) expenditures	\$ -	\$ -	\$ -	-
Other Financing Sources (Uses)				
Transfers In - Agency Funds	\$ -	\$ 470,285	\$ 490,037	\$ 19,752
Transfers (Out) - Agency Funds	-	(353,236)	-	353,236
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ 117,049</u>	<u>\$ 490,037</u>	<u>\$ 372,988</u>
Revenues and Other Financing Sources				
Over(Under) Expenditures and Other Uses	\$ -	\$ 117,049	\$ 490,037	\$ 372,988
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 117,049</u></u>	<u><u>\$ 490,037</u></u>	<u><u>\$ 372,988</u></u>

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

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

The following notes to financial statements include information essential to fully disclose and fairly present the transactions and financial position of the Agency:

- Note 1 - The Reporting Entity
- Note 2 - Significant Accounting Policies
- Note 3 - Interfund Transactions and Internal Activity Eliminations
- Note 4 - Cash and Investments
- Note 5 - Capital Assets
- Note 6 - Long-Term Debt
- Note 7 - Budgetary Compliance
- Note 8 - Contingent Liability
- Note 9 - Subsequent Event

1 - The Reporting Entity

The Marina Redevelopment Agency is a separate legal entity subject to oversight by the Marina City Council which also sits as the Agency's Board of Directors. As the primary governing unit of the Agency, the Council exercises significant financial and management control over the Agency. Therefore, the Agency is a component unit of the City of Marina. In addition to presenting these financial statements, the Agency's financial data is blended with the City's annual financial report for the fiscal year ended June 30, 2010.

The Agency was established August 20, 1985 under the provisions of the California Community Redevelopment Law (Health and Safety Code, Section 33000, et seq.) to eliminate and reduce economic, physical, visual and social blight in the City. Financial activity of the Agency commenced in 1986 and the Agency's Redevelopment Plan (Plan) was approved in 1986. Under the Plan, the Agency functions as an independent entity and its policies are determined by the Council in its capacity as the Agency Board (Board). Staff work is performed by City officials and staff or independent consultants.

The Agency is authorized to finance the Plan with financial assistance from the City of Marina, County of Monterey, State of California, United States Government, private developers, or any other public or private source including property tax increments, interest income, and Agency notes and bonds or other indebtedness.

During the 09-10 fiscal year, pursuant to California Redevelopment Law (Health and Safety Code §33000 et seq) the City Council enacted Ordinances 2009-05, 06 & 07 amending the five-year plan for all three project areas, and extending the allowable time for incurring debt. At the same time, the Council enacted ordinances 2009-08, 09 & 10 merging the three original project areas into one, creating single, merged operating and housing funds. These amendments were intended to improve the

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Agency's ability to successfully complete activities within the project areas, provide additional financial resources through increased tax increment revenues and more timely bond revenues, provide or extend the authority to assemble commercial sites through eminent domain, and improve flexibility by allocating resources among project areas to meet priority projects and programs as determined by the Agency board and City Council.

2 - Significant Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of significant accounting policies:

Basis of Presentation

Government-wide and Fund Financial Statements

Government-wide Statements include a Statement of Net Assets and a Statement of Activities that present the net assets and activities of the Agency as a whole. The Statement of Net Assets includes all Agency assets, including capital assets as well as short and long-term liabilities. The Statement of Activities compares program expenses and revenues. Program expenses are costs of specific activities and programs. Program revenues include fees and other charges for goods and services as well as grants and contributions, if any, that are restricted to specific projects or programs. Non-program revenues are general revenues that are available for any redevelopment purpose, such as property tax increment. The Agency sometimes funds programs with a combination of revenues, thus both restricted and unrestricted net assets are often available to finance program expenses.

Fund Financial Statements provide information about the Agency's funds with each major fund displayed in a separate column, and all non-major funds combined in a single column. (see Fund Accounting following)

Fund Accounting

The Agency's accounts are organized by funds, each of which is considered a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Special Revenue Funds account for resources that are restricted for specified purposes. These funds account for both on-going redevelopment operations, and for

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

low and moderate income housing activity. All Agency funds are considered Special Revenue Funds.

Debt Service Funds account for resources that are accumulated for payment of general long-term debt principal, interest, and related costs.

Major Funds: Generally Accepted Accounting Principles require that fund financial statements disclose each major fund separately, and that all non-major funds be aggregated. A major fund is one whose assets, revenues, liabilities, revenues and/or expenditures exceed ten percent (10%) of the Agency's total for that category. The following five funds are classified as major funds: Pre-merger Project Areas #1 & 3 Operating Funds #45 & #40; Project Area #1 Debt Service Fund #74; and post-merger Operating and Housing Funds #51 & #52. Each pre-merger Operating Fund accounted for activity within the pre-merger geographic boundaries of its respective project area that was not required to be segregated for low-and-moderate-income-housing purposes. Each pre-merger Housing Fund accounted for the legally-mandated set-aside of 20% of the gross tax increment for the purpose of improving or expanding the Agency's supply of low and moderate income housing. The post-merger operating fund accounts for all redevelopment activity that is not required to be segregated for low-and-moderate-income-housing purposes after the merger. The post-merger housing fund accounts for the legally-mandated set-aside of 20% of the gross tax increment for purpose of improving or expanding the Agency's supply of low and moderate income housing after the merger.

Measurement Focus and Basis of Accounting

Measurement focus refers to *what* transactions and events are reported in a fund. Governmental Funds use a 'current financial resources' measurement focus. This means only current assets and liabilities are recorded on their balance sheets, and only increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets are reported in their operating statements. Thus, the fund balance of governmental funds is a measure of 'available spendable resources.'

Basis of accounting refers to *when* revenues and expenditures, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental Funds use the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period; collected within sixty days of year end. Expenditures are recorded when the related liability is incurred, except that principal and interest payments on general long-term debt are recognized when paid.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year they are levied. Grants and similar items are recognized as revenue when eligibility requirements are satisfied, irrespective of when the cash might be received.

Budgetary Accounting

The Board adopts an annual budget, effective each July 1, for all Agency funds, which may be amended during the year as set forth in the adoption resolutions. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. For control purposes, the budget is integrated into the accounting system. Encumbrance accounting is used as an additional control measure, and appropriations lapse at year-end. (See also Note 6)

Capital Assets and Long -Term Debt

Due to the 'current financial resources' measurement focus, neither general capital assets nor general long-term debt are reported in the balance sheet of governmental funds; however, in the government-wide financial statements, capital assets are reported as assets and general long-term obligations are reported as liabilities in the statement of net assets. Related transactions appear in the Statement of Activities.

Net Assets and Fund Balance

The mathematical difference between assets and liabilities is referred to as 'Net Assets' in the Government-wide Statement of Net Assets, and is referred to as 'Fund Balance' in the Governmental Funds Balance Sheet.

In the Statement of Net Assets, assets are classified as restricted or unrestricted. Restricted net assets must be spent in accordance with externally-imposed legal or contractual restrictions. Since the law restricts all redevelopment resources to redevelopment purposes, assets restricted to a purpose no more limited than the fund in which they are contained are not shown as restricted because the fund itself is restricted. Unrestricted net assets represent resources that may be used at the discretion of the governing board to meet current expenses for any redevelopment purpose. By this definition, the Agency has no restricted assets at June 30, 2010.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Fund Balance Classifications

As previously stated, the difference between assets and liabilities of a governmental fund is referred to as fund balance. In March 2009, the Government Accounting Standards Board (GASB) issued Statement No. 54 establishing new fund balance classifications for governmental funds. The new classifications comprise a fund balance hierarchy based primarily on the extent to which a government must observe constraints imposed upon the use of resources reported in governmental funds. Although GASB 54 is not mandatory until FY 2010-11, earlier compliance is encouraged and, accordingly, the Agency adopted the new classifications for the 2009-10 fiscal year. The new fund balance reporting standards include *restricted*, *committed*, *assigned*, and *unassigned* classifications based on the relative strength of the constraints that control how specific resources can be spent.

'*Restricted*' fund balance are amounts contained in fund balance that can only be used for purposes '...stipulated by constitution, external resource providers, or through enabling legislation'; for example, cash held in Debt Service funds to repay bonded indebtedness as required by the related bond indentures. The only resources classified as 'Restricted' are fund balances of the Agency's two debt service funds, which are restricted by related bond indentures.

'*Committed*' fund balance are resources that can be used only for purposes determined by a formal action of the Agency's highest level of decision-making authority, such as Board-adopted resolutions and budgetary restrictions (e.g. fund balance reserves and other set-asides). No portion of Agency Fund Balances are classified as 'committed.'

'*Assigned*' fund balance represents amounts intended for specific purposes but that do not meet the criteria of 'Restricted' or 'Committed.' In all funds except a general fund, '*assigned*' fund balance represents the amount that is neither restricted nor committed. Since the Agency has no general fund, all remaining fund balances are classified as 'Assigned.'

'*Unassigned*' fund balance are general fund resources not contained in other classifications or in non-general funds, a deficit balance resulting from overspending for purposes for which amounts were restricted, committed or assigned. No Agency fund is considered a general fund, and no such overexpenditures occurred, therefore, no portion of the Agency's Fund Balances can be classified as 'Unassigned.'

GASB contends that the new classifications will enhance the usefulness of net asset measurements by disclosing the extent to which a government must observe constraints imposed on the use of resources reported in governmental funds, and the extent to which resources are available for discretionary purposes.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Pursuant to GASB 54, the Agency's total governmental fund balance of \$1,377,304 at June 30, 2010 was classified as follows:

Restricted for Debt Service	\$ 303,517
Assigned	<u>1,073,787</u>
Total Fund Balances	<u>\$1,377,304</u>

Tax Increment

All property taxes are levied and collected by the Monterey County Auditor-Controller and paid to the various taxing entities including the Agency. Secured taxes are due on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Unsecured taxes are due on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1 of the preceding fiscal year. Property tax increment revenues include only property taxes resulting from increased assessed values and are recognized in the fiscal year for which the taxes have been levied, provided they become available and measurable within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Use of Estimates

Agency management has necessarily made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenditures to prepare these financial statements. Actual results could differ from those estimates.

3 - Interfund Transactions and Internal Activity Eliminations

Interfund Transactions

Advances To/From other funds of \$284,715 on the Governmental Funds Balance Sheet resulted from a loan from the housing fund to the operating fund for the purpose of financing of the Agency's FY 09-10 Supplemental Educational Revenue Augmentation Fund contribution as approved by Agency Board Resolution 2010-11 on April 20, 2010. Pursuant to state law, this loan must be repaid no later than June 30, 2015. Interfund Transfers In/Out on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance represent movement of resources between funds, including tax-increment transfers from the operating fund to the debt service fund of \$134,300 as required by bond covenants, and to housing funds as required by set-aside laws of \$646,135. Other transfers out were for the purpose of deactivating prior operating and housing funds and activating the new operating and housing fund pursuant to the fiscal merger discussed in Note 1. Merger transfers totaled \$1,623,363.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Internal Activity Eliminations

Generally Accepted Accounting Principles require that the effects of interfund activity be eliminated from government-wide financial statements. At June 30, 2010 the Agency reported certain obligations to City of Marina funds and, as mentioned above, one interfund receivable/payable between Agency funds. In addition, for the year ended June 30, 2010, the Agency reported interfund transfers between/among Agency and City of Marina funds as well as between/among Agency funds. For financial reporting purposes, the Agency discloses all interfund activity in the fund financial statements but eliminates activity between Agency-only funds, while fully disclosing activity between Agency funds and City of Marina funds, in the government-wide statement of activities.

4 - Cash and Investments

Total Agency cash at June 30, 2010, was 2,488,801. The Agency pools cash of all funds with the City of Marina. Depository accounts, with the exception of the Local Agency Investment Fund (LAIF) account which is held in the Agency's separate name, are held in the name of the City of Marina. Interest earned on pooled cash is allocated to the various funds based on average balances. Earnings on cash held by fiscal agents are credited to the related fund.

Cash Defined

Cash includes money held by the City and Agency on deposit with financial institutions that can be withdrawn without notice. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value due to fluctuations in interest rates.

Cash Deposits

The California Government Code requires financial institutions to secure deposits made by state or local governmental agencies by pledging securities in an undivided collateral pool held by a depository regulated under state law, unless waived by the government agency. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All deposits held by financial institutions comply with state law.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Investments Authorized by the City and Agency's Investment Policy

The City and Agency's Investment Policy and Management Plan restricts individual deposits to financial institutions maintaining offices within the City of Marina. Further, unless collateralized as provided in Government Code Sections 53651 & 53652, the maximum amount of Certificates of Deposit that can be placed with any single institution is \$100,000. At June 30, 2010, all deposits were placed with Rabobank in Marina, and there were no certificates of deposit.

With respect to investments, the policy adopts the State of California's provisions relating to local agencies set forth in Government Code: §16429.1 authorizing a local agency to deposit cash with the State of California Local Agency Investment Fund (LAIF); §53635 authorizing a local agency to pool deposits with other local agencies and establishing permitted investments for the pool; and §53601 permitting local governments to invest independently and establishing permitted investments.

While the investment policy identifies safety of principal as the foremost objective of the investment program and states that the 'City shall seek to preserve principal by mitigating...credit risk and market risk... .' it contains no specific provisions intended to limit exposure to interest rate risk or concentration of credit risk aside from those contained in the aforementioned Government Code sections. *Interest rate risk* is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. *Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. *Concentration of credit risk* recognizes that additional risk attaches to a disproportionately large proportion of an investment portfolio placed with a single institution. The investment policy limits investments with a single institution (exclusive of government agencies such as LAIF) to no more than 25% of the portfolio. During 2009-10, no investments were placed with any one issuer that exceeded 25% of the total portfolio.

The investment policy assigns authority and responsibility to manage the investment portfolio to the Finance Director. Pursuant to such authority, during fiscal year 2009-10 the only investments were placed with the California LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. Deposits in this pool are reported in the accompanying financial statements at cost. As stated previously, the Agency's share of the pooled cash at June 30, 2010, was \$2,488,801 including the Agency's LAIF account of \$1,814,281.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

5 - Capital Assets

The Agency owns real estate on former Fort Ord which, pursuant to §2905(b)(4) of the Base Closure Act, was transferred from the U.S. Army to the Agency by means of a No Cost Economic Development Conveyance for no monetary consideration. Since the property was acquired at no cost and no appraisals or valuations were obtained at the time of transfer, it is not reported in the financial statements at a monetary amount. During 2008-09, the Agency purchased eight surplus lots from the City for '...developing affordable housing for the benefit of the community and consistent with the California Redevelopment Law and the Marina Redevelopment Plans... .' These parcels were purchased for, and are carried on the books at \$900,000, which determination was based on an independent 2006 appraisal, with adjustments for the then-current real estate market which had suffered significant downturn. Individual parcel costs have not been assigned to the eight lots.

6 - Long-Term Debt

The Agency's long-term debt includes the following Tax Allocation Bond issues:

In 2000, the Agency issued \$700,000 of Tax Allocation Bonds to finance redevelopment within the Marina Municipal Airport project area. Bonds are payable from tax increment revenue. Principal payments are due January 1 in installments of \$10,000 to \$45,000 plus accrued interest at 4.75% per annum, through January 2031. Interest payments are due semi-annually on July 1 and January 1.

Balance due \$ 580,000

In 2002, the Agency issued \$1,015,000 of Tax Allocation Bonds to refund a 1996 Tax Allocation Bond issue. Bonds are payable from tax increment revenue. Principal payments are due August 1 in installments of \$95,000 to \$135,000 plus accrued interest at 4.4% per annum, due August 1 and February 1, through August 2011.

Balance due \$ 265,000

Changes in Long-Term Debt in '09/10

	Tax Allocation Bonds	
	<u>2000</u>	<u>2002</u>
Beginning Balance	\$ 595,000	\$ 385,000
Principal Retirement	<u>(15,000)</u>	<u>(120,000)</u>
Balance June 30, 2010	<u>\$ 580,000</u>	<u>\$ 265,000</u>

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

Scheduled Payments

Principal and interest requirements on the long-term bonded debt are as follows:

<u>Year Ending June 30,</u>	<u>2000 Tax Alloc</u> <u>Bonds</u>	<u>2002 Tax Alloc</u> <u>Bonds</u>
2011	\$ 42,550	\$ 138,800
2012	41,838	137,970
2013	46,125	-
2014	45,175	-
2015	44,225	-
2016-2020	221,163	-
2021-2025	220,762	-
2026-2030	222,763	-
2031	<u>47,137</u>	<u>-</u>
Subtotal	931,738	276,770
Less interest	<u>(351,738)</u>	<u>(11,770)</u>
Principal Balance	580,000	265,000
Less current portion	<u>(15,000)</u>	<u>(130,000)</u>
Long-term portion	<u>\$ 565,000</u>	<u>\$ 135,000</u>

7 - Budgetary Compliance

Expenditure Control - Operationally, Agency expenditures are managed at the line-item level but controls are established by the Agency Board at the total fund level. Further, Pursuant to Board Resolution No. 2009-101, the Finance Director must adjust the final budget to reflect post year-end adjustments to revenues, expenditures and carryover items to avoid '...inadvertent budget variances.' Therefore, budget-to-actual schedules might show overexpenditures for individual line-items but no funds' total expenditures exceeded the total budget, as adjusted, for the 2009-10 fiscal year. Accordingly, the Agency was in compliance with all budgetary controls.

8 - Contingent Liability

On August 5, 2008, the Agency entered into a Tax Increment Financing Plan and Agreement with, and executed a Promissory Note payable to, Marina Community Partners, LLC, (MCP) pursuant to and in implementation of a Disposition and Development Agreement dated May 1, 2005 and subsequent Implementation Agreements dated September 6, 2006 and August 5, 2008. Under the terms of the Tax Increment Financing Plan and Agreement and the Promissory Note the Agency must rebate to MCP 100% of all future net tax increment generated by The Dunes Project (formerly University Villages) through Fiscal Year (FY) 2029/30 less ten

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2010

percent(10%) retention by the Agency; plus 100% net bond proceeds issued through FY 2029/30 secured by Dunes-generated tax increment; plus 100% of Low-and-Moderate-Income-Housing-Fund (LMIHF) funds generated by The Dunes Project and the Marina Heights Project through FY 2019/20 less ten percent(10%) retention by the Agency; plus bond proceeds supported by the LMIHF generated by the Dunes and Marina Heights Projects.

During FY 2008/09, a total of \$505,184 was paid by the Agency to MCP pursuant to the Tax Increment Financing Plan and Agreement, and Promissory Note; Payments to MCP for FY 2009/10 totaled \$428,506 inclusive of an adjustment to the amount due for FY 2008-09. Payments under these agreements are due strictly from tax increment received.

Future payments over the term of the agreement are projected to total approximately \$93 million based on a projection of tax increment to be generated by the Dunes and Marina Heights projects which incorporates assumptions regarding the timing of buildout and assessed valuation. However, the amount of tax increment to be received in future years, and the resulting payments based on those revenues do not constitute a liability to the Agency at June 30, 2010.

9 - Subsequent Event

In September, 2010, The Agency and Fort Ord Reuse Authority (FORA) sold a parcel of land obtained pursuant to §2905(b)(4) of the Base Closure Act from the U.S. Army, of which the Agency and FORA were co-owners, to the Salinas Valley Memorial Hospital, for \$2.4 million. The Marina Redevelopment Agency received its \$1.2 million sale proceeds on September 30, 2010. Pursuant to a 2006 Assignment and Assumption Agreement approved by the City of Marina and the Marina Redevelopment Agency in Resolutions No. 2006-220 and 2006-39, respectively, the sale proceeds were transferred to the City simultaneous with their receipt.

SUPPLEMENTARY INFORMATION

MARINA REDEVELOPMENT AGENCY

**Non-major Governmental Funds
Combining Balance Sheet
June 30, 2010**

	Housing Fund 41	Property Fund 42	Housing Fund 44	Operating Fund 46	Housing Fund 47	Debt Service Fund 73	Totals
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,157	\$ 19,157
Accrued Receivables	-	-	-	-	-	38	38
Prepaid Expenditures	-	-	-	-	-	13,775	13,775
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,970</u>	<u>\$ 32,970</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payables	\$ -	-	-	-	-	-	-
Lease Deposits	-	-	-	-	-	-	-
Due to City of Marina	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES							
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,970	\$ 32,970
Assigned	-	-	-	-	-	-	-
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,970</u>	<u>\$ 32,970</u>

MARINA REDEVELOPMENT AGENCY

**Non-major Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010**

	Housing Fund 41	Property Fund 42	Housing Fund 44	Operating Fund 46	Housing Fund 47	Debt Service Fund 73	Totals
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 132,251	\$ -	\$ -	\$ 132,251
Charges for Services/Program Revenues	\$ -	\$ 43,884	\$ -	\$ -	\$ -	\$ -	43,884
Investment Earnings	943	609	201	422	1,509	92	3,776
Other	-	-	-	316	-	-	316
Total Revenues	<u>\$ 943</u>	<u>\$ 44,493</u>	<u>\$ 201</u>	<u>\$ 132,989</u>	<u>\$ 1,509</u>	<u>\$ 92</u>	<u>\$ 180,227</u>
EXPENDITURES							
Redevelopment Planning & Administration	\$ 344,722	\$ 103,460	\$ 2,822	\$ 22,062	\$ 141,676	\$ 459	615,201
Debt Service - Principal Retirement	-	-	-	-	-	15,000	15,000
Debt Service - Interest & Fees	-	-	-	-	-	28,262	28,262
Tax Increment Pass-throughs	-	-	-	62,308	-	-	62,308
Total Expenditures	<u>\$ 344,722</u>	<u>\$ 103,460</u>	<u>\$ 2,822</u>	<u>\$ 84,370</u>	<u>\$ 141,676</u>	<u>\$ 43,721</u>	<u>\$ 720,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	<u>\$ (343,779)</u>	<u>\$ (58,967)</u>	<u>\$ (2,621)</u>	<u>\$ 48,619</u>	<u>\$ (140,167)</u>	<u>\$ (43,629)</u>	<u>\$ (540,544)</u>
OTHER FINANCING SOURCES (USES)							
Transfers In- Agency Funds	\$ 581,751	\$ -	\$ 26,450	\$ 177,294	\$ 232,922	\$ -	\$ 1,018,417
Transfers In - City Funds	-	-	-	-	-	44,100	44,100
Transfers (Out) - Agency Funds	(42,984)	(159,422)	(39,635)	(26,451)	(602,406)	-	(870,898)
Transfers (Out) - City funds	-	-	(17,931)	(17,956)	(164,931)	-	(200,818)
Total Other Financing Sources (Uses)	<u>\$ 538,767</u>	<u>\$ (159,422)</u>	<u>\$ (31,116)</u>	<u>\$ 132,887</u>	<u>\$ (534,415)</u>	<u>\$ 44,100</u>	<u>\$ (9,199)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES							
	<u>\$ 194,988</u>	<u>\$ (218,389)</u>	<u>\$ (33,737)</u>	<u>\$ 181,506</u>	<u>\$ (674,582)</u>	<u>\$ 471</u>	<u>\$ (549,743)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>(194,988)</u>	<u>218,389</u>	<u>33,737</u>	<u>(181,506)</u>	<u>674,582</u>	<u>32,499</u>	<u>582,713</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,970</u>	<u>\$ 32,970</u>



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Agency Board Members of the Marina Redevelopment Agency
Marina, California

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

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of the Marina Redevelopment Agency (“Agency”), as of and for the year ended June 30, 2010, which collectively comprise the Agency’s basic financial statements and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management of the City of Marina, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman Mc Cann P.C.

San Jose, California
October 25, 2010