

*City of Marina, California*  
Basic Financial Statements  
*fiscal Year Ended June 30, 2010*

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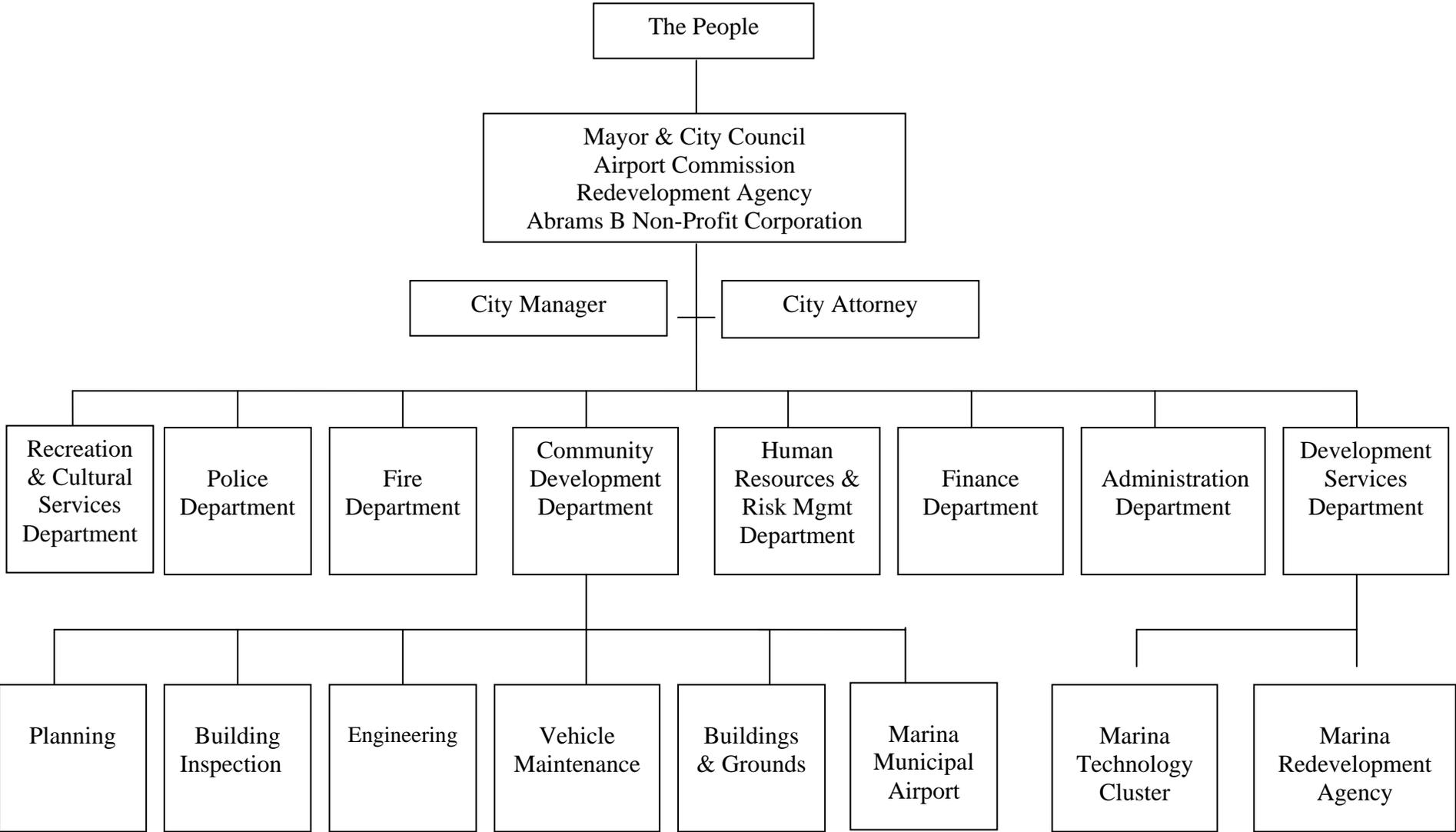
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## INTRODUCTORY SECTION

# City of Marina – Organization Chart



# CITY OF MARINA, California

Basic Financial Statements  
June 30, 2011

## Elected Officials

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Mayor	Bruce C. Delgado
Mayor Pro Tem	Frank O'Connell
Council Member	Jim Ford
Council Member	Nancy Amadeo
Council Member	David Brown

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## Appointed Officials

City Manager	Anthony Altfeld
Acting City Clerk	Anita Shepherd-Sharp
Finance Director	Lauren Lai, CPA
Police Chief	Edmundo Rodriguez
Fire Chief	Harald Kelley
Community Development Director	Christine dilorio
Recreation & Cultural Services Director	Terry Siegrist
Development Services Director	Douglas Yount

Prepared By: Lauren Lai, CPA

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
 Marina, 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 Marina, California as of and for the year ended June 30, 2011, 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 of Marina, California's management. 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marina, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison statements for the general fund and other major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

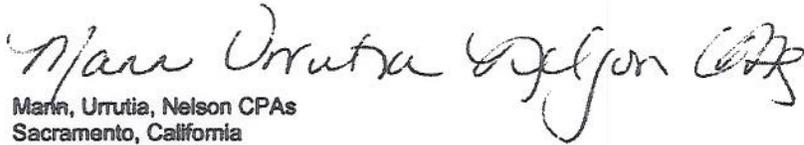
In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the City of Marina, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### PRINCIPALS

Chris A. Mann, CPA, CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA  
 Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA ♦ Kriss Ann Mann, CPA, CCPS ♦ Christine L. Collins, EA

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marina, California's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Mark, Urrutia, Nelson CPAs  
Sacramento, California  
December 12, 2011



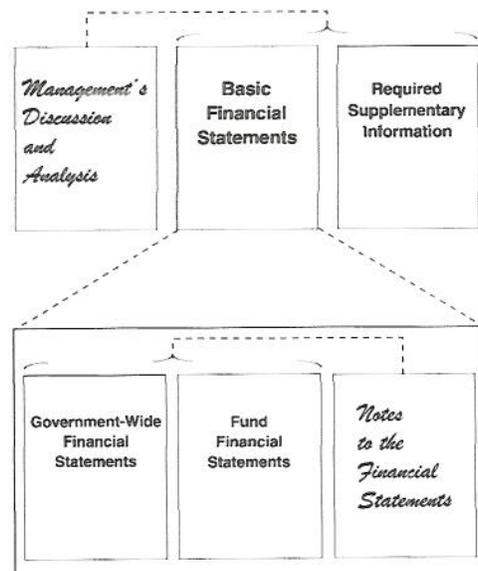
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Marina (the 'City') annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2011. It should be read in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets at June 30, 2011 were \$96,113,278, an increase of about 1% from June 30, 2010, net assets of \$95,179,816. Management considers this to be a non-material increase due to normal fluctuations in program activities.
- During 2010/11, City-wide revenues (excluding interfund transfers) of \$29.7 million exceeded City-wide total expenditures (excluding interfund transfers) of \$28.6 million by \$1.1 million, mostly resulting from the \$1.2 million sale of a parcel of land obtained from the U.S. Army to Salinas Valley Memorial Hospital by the Marina Redevelopment Agency, a component unit. Costs of public improvement and infrastructure projects rose by almost \$1 million from the previous year, but were financed by grant revenues. Enterprise funds operations produced a combined modest operating income of less than \$0.5 million, as operating revenues essentially covered operating expenses. Recurring General Fund revenues and expenditures remained about the same as the prior year, except for interfund transfers which increased by \$8 million due to transfer of proceeds from the property sale to Salinas Valley Memorial Hospital, and residual equity transfers from the Conveyance and Abrams B City funds, which were merged into the General fund and deactivated during the year. As a result, General Fund equity increased by slightly more than \$5.7 million. LAIF interest rates continued to drop during the year, causing a decline in interest earnings of about \$130,000. Redevelopment Agency operating revenues (primarily tax increment) exceeded operating costs by a modest \$200,000, which reflects normal operating fluctuations. Other funds experienced modest, normal fluctuation in program activities.
- On-going General Fund revenues comprise property, sales, motor vehicle in-lieu fee, transient occupancy and franchise taxes; state subventions; grants; and miscellaneous other revenues. City-wide Fiscal year 10-11 property taxes increased by \$648,770 or 11.6% from the previous year, mostly due to negotiated adjustments to prior year Redevelopment Agency tax increment, which were discovered to have been underpaid. General Fund rent revenues increased by about \$1.5 million due to the merger of the Preston Park Fund into the General Fund. Sales taxes increased by slightly more than \$0.5 million due primarily to the new 5-year temporary 1% sale tax measure approved by the Marina citizens and continued growth in The Dunes retail shopping center. Although not material to the overall financial statements, the transient occupancy tax also increased due primarily to the new 5-year temporary increase of TOT rate from 10% to 12%, approved by Marina citizens. Other revenues experienced immaterial changes from the previous year.
- The cost of government activities naturally fluctuates from year-to-year. General Fund expenditures rose a modest 5% for 10-11, comprising approximately equal percentage increases in general government, public safety and public works costs.
- The City's General Fund reported a fund balance at June 30, 2011 of \$9.4 million, reflecting an increase of \$5.7 million from the previous year. This increase resulted mostly from merging the Conveyance and Abrams B Rents Fund into the General Fund, in the amounts of \$4.2 million and \$2.0 million, respectively.

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



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.

- The fund financial statements focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements present general government services financed in the short term and balances available for future spending.
- Proprietary fund statements present financial information about Airport and Abrams B Housing activities, which the City operates and accounts for similar to a commercial business.

**Figure B. Major Features of the City's Government-wide and Fund Financial Statements**

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Fund</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire City (except fiduciary funds) including component unit	Activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: Municipal Airport	Instances in which the City acts as fiduciary for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>♦ Statement of net assets</li> <li>♦ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>♦ Balance sheet</li> <li>♦ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>♦ Statement of net assets</li> <li>♦ Statement of revenues, expenses and changes in fund net assets</li> <li>♦ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>♦ Statement of fiduciary net assets</li> <li>♦ Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The financial statements also include notes that further explain and provide more detail about some of the information in the financial statements. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statement information. Figure A demonstrates how required parts of this annual report are arranged and shows how they relate to one another. Figure B summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-wide Statements** report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities (with respect to individual funds, this is commonly called 'Fund Balance'), helps to measure the City's financial health or position. Increases or decreases in the City's net assets might, but do not necessarily, indicate whether its financial health is improving or deteriorating. To properly evaluate the City's overall health, one must also consider many nonfinancial factors such as the City Council's policies, goals and objectives; management's implementation plans; staffing levels; naturally-occurring changes in the City's revenue base and non-discretionary cost structure; and the local, state and national economies. This means that, on their own, neither net assets nor the general fund and other fund balances necessarily indicate the health of the City. Rather, these amounts reflect the City's commitment to maintain essential government services and programs at acceptable levels and to meet new needs as they arise. The general fund balance of more than \$9.4 million equals more than one-half of a full year's recurring revenues, which management considers a fiscally prudent balance.

The government-wide financial statements of the City include Governmental activities. Most basic City services are included here, such as legislative, general government, public safety, public works, economic & community development, recreation and cultural services, capital and infrastructure improvements and long-term debt service. Taxes, licenses and permits, charges for services, fines and penalties, operating and capital grants, rents and investment earnings, and revenues from other governments finance these activities. For additional information on the City's component unit, the Marina Redevelopment Agency (MRA; Agency) see the Agency's separately-issued statements.

**Fund Financial Statements** provide detailed information about the City's most significant (Major) funds, not the City as a whole. Funds are fiscal accounting entities that track specific revenues and expenditures. Management creates funds to segregate and manage resources to carry on specific activities or demonstrate that restricted resources are properly utilized. Some funds are mandated by law (Street Fund & MRA Housing Funds); some by bond covenants (Debt Service); some by special agreement (Assessment District Maintenance Funds); and some to better manage discrete activities (Development Activity Fund, Impact Fee Fund). The City employs the following types of funds:

- Governmental - Most services are accounted for in governmental funds, focusing on (1) how cash and other assets that are readily convertible to cash flow in and out and (2) year-end balances available for spending. Governmental fund statements provide a detailed short-term view that shows the resources that can be spent in the near future on City programs. Because this information does not include the long-term focus of government-wide statements, management provides information to explain relationships among them.
- Proprietary - Airport operations and Abrams B Housing, for which the City measures results of operations similar to a commercial activity, are reported in the Marina Municipal Airport and Abrams B Housing enterprise funds. Proprietary funds, like government-wide statements, provide long and short-term financial information.

### SUMMARY FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Total net assets of \$96,113,278 at June 30, 2011 is detailed in Table 1 below. *(For management discussion & analysis purposes, this information is summarized and categorized differently than in the basic financial statements, and internal balances have not been eliminated. Total net assets are, of course, the same in both presentations.*

**Table 1**

Net Assets

(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>Assets</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	22,757.8	21,842.1	4,805.6	4,823.3	27,563.4	26,665.4
Prepaid Expenses	86.9	13.4	1,017.9	1,041.8	1,104.8	1,055.2
Internal Balances	16,656.8	16,159.0	252.7	198.5	16,909.5	16,357.5
Other Receivables	1,451.4	1,665.9	16.9	21.8	1,468.3	1,687.7
Fuel Inventory	-	-	59.2	57.9	59.2	57.9
<b>Total Current Assets</b>	<b>40,952.9</b>	<b>39,680.4</b>	<b>6,152.3</b>	<b>6,143.3</b>	<b>47,105.2</b>	<b>45,823.7</b>
<b>Noncurrent Assets</b>						
Long-term Notes & Loans	631.1	494.0	-	-	631.1	494.0
Land, Bldgs & Equipment	54,932.4	55,852.2	66,112.1	68,278.0	121,044.5	124,130.2
(Accumulated Depreciation)	-13,436.2	-15,006.7	-8,668.6	-9,589.7	-22,104.8	-24,596.4
<b>Total Noncurrent Assets</b>	<b>42,127.3</b>	<b>41,339.5</b>	<b>57,443.5</b>	<b>58,688.3</b>	<b>99,570.8</b>	<b>100,027.8</b>
<b>Total Assets</b>	<b>83,080.2</b>	<b>81,019.9</b>	<b>63,595.8</b>	<b>64,831.6</b>	<b>146,676.0</b>	<b>145,851.5</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	1,154.1	1,064.8	334.3	19.6	1,488.4	1,084.4
Accrued Liabilities	1,259.1	1,705.8	3.9	302.7	1,263.0	2,008.5
Deferred Revenue	77.3	109.1	8.1	18.5	85.4	127.6
Deposits & Other Liabilities	361.3	380.4	16.9	19.4	378.2	399.8
Internal Balances	1,688.4	1,865.4	15,221.1	14,492.2	16,909.5	16,357.6
<b>Total Current Liabilities</b>	<b>4,540.2</b>	<b>5,125.5</b>	<b>15,584.3</b>	<b>14,852.4</b>	<b>20,124.5</b>	<b>19,977.9</b>
<b>Long-term Liabilities</b>						
Notes Payable	-	-	10.6	-	10.6	-
Deferred Revenue	2,320.1	1,862.7	-	-	2,320.1	1,862.7
Leases Payable	70.5	48.2	-	-	70.5	48.2
Bonds	27,545.0	26,470.0	-	-	27,545.0	26,470.0
Compensated Absences	1,425.5	1,379.5	-	-	1,425.5	1,379.5
<b>Total Long-term Liabilities</b>	<b>31,361.1</b>	<b>29,760.4</b>	<b>10.6</b>	<b>-</b>	<b>31,371.7</b>	<b>29,760.4</b>
<b>Total Liabilities</b>	<b>35,901.3</b>	<b>34,885.9</b>	<b>15,594.9</b>	<b>14,852.4</b>	<b>51,496.2</b>	<b>49,738.3</b>
<b>Net Assets</b>	<b>47,178.9</b>	<b>46,134.0</b>	<b>48,000.9</b>	<b>49,979.2</b>	<b>95,179.8</b>	<b>96,113.2</b>
Invested in Capital Assets(net)	19,260.7	19,107.3	44,038.6	45,583.3	63,299.3	64,690.6
Restricted	10,661.6	11,001.0	-	-	10,661.6	11,001.0
Unrestricted	17,256.6	16,025.7	3,962.3	4,395.9	21,218.9	20,421.6
<b>Total Net Assets</b>	<b>47,178.9</b>	<b>46,134.0</b>	<b>48,000.9</b>	<b>49,979.2</b>	<b>95,179.8</b>	<b>96,113.2</b>

Government Accounting Standards Board (GASB) Statement No. 54 established new categories of ending fund balance in Governmental Funds. 'Restricted' fund balances are balances of funds whose resources can only be used for purposes '...stipulated by constitution, external resource providers, or through enabling legislation'; for example, bond indentures, Redevelopment and Gas Tax Laws. GASB claims the new categories 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. Since most governmental funds contain resources that are limited in some authoritative fashion to a specific use, a significant portion of year-end fund balance is 'Restricted' by GASB's new criteria, even though those resources are available for exactly the purpose for which they were obtained.

**Changes in net assets.** (Table 2)

- **REVENUES** Non-enterprise revenues for 2010/11 (excluding inter/intra-fund transfers) increased by slightly more than \$4 million from the previous year, to \$23.9 million. About \$2 million of this was from increased grant revenue dedicated to infrastructure improvements, including \$1.7 million Federal Aviation Administration grants for improvements at the Marina Municipal Airport, \$0.5 million FEMA grant for Fire Station #2 improvements, and other transportation improvement grants. As previously mentioned, property taxes and sales taxes increased by \$648,000 and \$517,000, respectively and a property sale resulted in a \$1.2 million one-time revenue. City-wide non-enterprise revenues included \$6.2 million in property taxes; \$8.1 million charges for services (costs passed along directly to the users who benefitted directly from services such as rents, fees, licenses, permits, special assessments and cost reimbursements); \$3.1 million grants and donations; \$3.1 million property tax in-lieu and motor vehicle taxes; \$2.5 million sales taxes; and \$2.1 million transient occupancy and franchise taxes. Enterprise revenues remained the same as the prior year except for audit adjustments.
- **COSTS** Non-enterprise costs for 2010-11 (excluding inter/intra-fund transfers) were \$25.5 million, essentially unchanged from the prior year. Of the total Public Safety (police, fire, animal control) accounted for \$9.3 million, or 36.5%; Public Works \$2.1 million or 8.2%; Public Improvements \$3.1 million or 12.2%; debt service (excludes accrued bond interest) \$2.2 million or 8.6%; Economic & Community Development \$1.4 million or 5.5%; Redevelopment \$3.6 million or 14.1%; Recreation \$0.9 million or 3.5%. General Government (administration & Planning) expenditures amounted to about \$2.9 million or 11.4% of the total. Enterprise costs remained essentially the same as the previous year except for audit adjustments.

**Table 2**

Change in Net Assets  
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>Revenues</b>						
Program Revenues:						
Charges for Services	3,867.3	4,006.4	2,735.0	3,634.3	6,602.3	7,640.7
Program Income	2,887.6	3,730.4	-	-	2,887.6	3,730.4
General Revenues						
Taxes	12,528.0	13,929.2	-	-	12,528.0	13,929.2
Other Revenues	701.1	1,778.2	19.0	48.8	720.1	1,827.0
Transfers In	7,009.7	12,464.1	-	-	7,009.7	12,464.1
<b>Total Revenues</b>	<b>26,993.7</b>	<b>35,908.3</b>	<b>2,754.0</b>	<b>3,683.1</b>	<b>29,747.7</b>	<b>39,591.4</b>
<b>Expenditures</b>						
General Government	3,077.4	2,506.4	-	-	3,077.4	2,506.4
Public Safety	9,411.5	9,307.4	-	-	9,411.5	9,307.4
Planning	489.3	420.1	-	-	489.3	420.1
Redevelopment	3,845.1	3,634.1	-	-	3,845.1	3,634.1
Economic Development	1,611.4	1,440.7	-	-	1,611.4	1,440.7
Recreation	941.6	871.7	-	-	941.6	871.7
Public Works	2,259.8	2,078.4	-	-	2,259.8	2,078.4
Public Improvements	2,195.7	3,141.6	-	-	2,195.7	3,141.6
Debt Service	2,019.4	2,161.3	-	-	2,019.4	2,161.3
Enterprise Operations	-	-	2,377.4	3,190.7	2,377.4	3,190.7
Transfers Out	4,837.3	11,784.1	2,172.4	680.0	7,009.7	12,464.1
<b>Total Expenditures</b>	<b>30,688.5</b>	<b>37,345.8</b>	<b>4,549.8</b>	<b>3,870.7</b>	<b>35,238.3</b>	<b>41,216.5</b>
<b>Revenues Over</b>						
(-)under Expenditures	-3,694.8	-1,437.5	-1,795.8	-187.6	-5,490.6	-1,625.1
Net Assets, Beginning	49,740.6	47,178.9	49,692.0	48,000.9	99,432.6	95,179.8
Contributed Capital Assets	-	-	104.7	2,165.9	104.7	2,165.9
Net Capital Assets incr(decr)	-31.2	-650.6	-	-	-31.2	-650.6
L-T Debt (increase)decrease	1,164.3	1,043.2	-	-	1,164.3	1,043.2
<b>Net Assets, Ending</b>	<b>47,178.9</b>	<b>46,134.0</b>	<b>48,000.9</b>	<b>49,979.2</b>	<b>95,179.8</b>	<b>96,113.2</b>

## GENERAL FUND BUDGET HIGHLIGHTS

During the year, the City revised the General Fund budget at various times in response to program changes, in accordance with procedures established by the City Council in conjunction with adoption of the original budget, as set forth in Table 3. Actual General Fund revenues exceeded the amended budget by about \$266,500, mostly because tax and charges for services revenues were slightly greater than anticipated. General fund expenditures were approximately \$1 million less than budgeted, largely due to salary and salary-related cost savings resulting from budgeted but vacant positions and spending restrictions.

**Table 3**

General Fund Budget Changes & Actual-Budget Comparison  
(in thousands, rounded)

	Budget as Adopted	Council Approved Amendments	Budget as Amended	Actual	Favorable (-)Unfavorable Variance
<b>Revenues</b>					
Taxes	8,092.8	675.0	8,767.8	8,871.3	103.5
Licenses & Permits	317.2	-95.0	222.2	144.4	-77.8
Fines & Penalties	193.9	-35.0	158.9	188.5	29.6
Investment Earnings	189.0	-45.0	144.0	72.1	-71.9
Chrgs for Svcs/Program Rev	1,912.5	20.0	1,932.5	2,514.7	582.2
Other Revenues	1,583.8	-1,239.0	344.8	45.7	-299.1
<b>Total Revenues</b>	<b>12,289.2</b>	<b>-719.0</b>	<b>11,570.2</b>	<b>11,836.7</b>	<b>266.5</b>
<b>Expenditures</b>					
General Government	3,375.4	-130.3	3,245.1	2,895.8	349.3
Public Safety	9,967.9	20.0	9,987.9	9,632.1	355.8
Recreation	982.2	3.0	985.2	843.5	141.7
Public Works	1,465.9	162.9	1,628.8	1,466.6	162.2
<b>Total Expenditures</b>	<b>15,791.4</b>	<b>55.6</b>	<b>15,847.0</b>	<b>14,838.0</b>	<b>1,009.0</b>
Revenues Over(Under) Expenditures	-3,502.2	-774.6	-4,276.8	-3,001.3	1,275.5
Net Interfund Transfers In(Out)	6,349.7	2,385.5	8,735.2	8,712.6	-22.6
<b>Revenues Over(Under) Expenditures, Transfers &amp; Other Financing Sources</b>	<b>2,847.5</b>	<b>1,610.9</b>	<b>4,458.4</b>	<b>5,711.3</b>	<b>1,252.9</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2011, the City has more than \$124 million capitalized assets including land, equipment, vehicles, buildings, improvements, infrastructure, rental housing and airport facilities. (See Table 4). The City's 2011/12 budget provides for various public improvements, and additional capital improvement and capital equipment expenditures might be approved by the City Council. Many of those costs will be provided by federal, state and other grants. Additional information about the City's capital assets is presented in the notes to financial statements.

**Table 4**

Capital Assets  
(in thousands, rounded)

	Governmental Activities		Business-type Activity		Total	
	2010	2011	2010	2011	2010	2011
Land	2,640.4	2,640.4	36,900.0	36,900.0	39,540.4	39,540.4
Buildings and Improvements	34,663.1	35,113.0	29,028.3	31,194.3	63,691.4	66,307.3
Vehicles & Equipment	5,095.3	5,128.1	183.8	183.8	5,279.1	5,311.9
Infrastructure	12,533.6	12,970.7	-	-	12,533.6	12,970.7
<b>Totals at Historical Cost</b>	<b>54,932.4</b>	<b>55,852.2</b>	<b>66,112.1</b>	<b>68,278.1</b>	<b>121,044.5</b>	<b>124,130.3</b>
Accumulated Depreciation	-13,436.2	-15,006.6	-8,668.6	-9,589.8	-22,104.8	-24,596.4
<b>Net Capital Assets</b>	<b>41,496.2</b>	<b>40,845.6</b>	<b>57,443.5</b>	<b>58,688.3</b>	<b>98,939.7</b>	<b>99,533.9</b>

## Long Term Debt

At year-end the City had \$27.9 million in bonds, capital leases and compensated absences (vested benefits payable to employees) outstanding, as shown in Table 5. No new long-term debt was incurred during 2010/11. \$1,097,183 was paid against pre-existing long-term debt.

**Table 5**

	Long-term Debt (in thousands, rounded)					
	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Bonds Payable	27,545.0	26,470.0	-	-	27,545.0	26,470.0
Notes Payable	-	-	10.6	-	10.6	-
Leases Payable	70.4	48.3	-	-	70.4	48.3
Compensated Absences	1,425.6	1,379.5	-	-	1,425.6	1,379.5
<b>Total Long-Term Debt</b>	<b>29,041.0</b>	<b>27,897.8</b>	<b>10.6</b>	<b>-</b>	<b>29,051.6</b>	<b>27,897.8</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Various economic and fiscal indicators were considered, and numerous assumptions necessarily made, when adopting the 2011/12 general fund budget. Amounts available for appropriation for general fund purposes in the 2011/12 budget include an estimated 2010/11 fund balance carry-forward of \$8.2 million, and projected 2011/12 revenues of \$14.1 million. Budgeted expenditures for 2011/12 total \$17.1 million. If 2011/12 revenues and expenditures are realized as budgeted, the fund balance available for City's General Fund purposes will decline by about \$3 million, to \$5.2 million at June 30, 2012. If, during 2011/12 it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the City Council will adopt necessary budget amendments.

On June 28, 2011, California Governor Brown signed two budget-related Assembly Bills (AB), ABX1 26 AND ABX1 27, which significantly modify the California Community Redevelopment Law (CRL) and affect the future of California Redevelopment Agencies, as well as their parent governmental entities. On June 30, 2011, the Governor signed Senate Bill (SB)87, the main budget bill containing the FY 2011-12 state budget. AABX1 26 (Dissolution Act) immediately limits agencies' ability to operate suspending all new redevelopment activities and incurrence of indebtedness and dissolves redevelopment agencies effective October 1, 2011. The Agency's expenditures for 2011/12 will vary depending upon the actions by the State of California and/or the Courts relative to Assembly Bills ABX 1 26 and ABX1 27. See the Notes to Financial Statements for a more comprehensive discussion of this matter.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**CITY OF MARINA**

**Statement of Net Assets  
June 30, 2011**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
Cash and Investments	\$ 21,595,505	\$ 3,101,611	\$ 24,697,116
Cash (Restricted)	246,566	1,721,680	1,968,246
Prepaid Expenses	13,419	1,041,820	1,055,239
Accrued Receivables	1,665,937	21,791	1,687,728
Inventory	-	57,905	57,905
Internal Balances (net)	14,293,644	(14,293,644)	-
Notes Receivable	494,042	-	494,042
Capital Assets, Non-depreciable (land)	2,640,394	36,900,000	39,540,394
Capital Assets, Depreciable (net of depreciation)	38,205,170	21,788,334	59,993,504
<b>TOTAL ASSETS</b>	<b>\$ 79,154,677</b>	<b>\$ 50,339,497</b>	<b>\$ 129,494,174</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,064,820	\$ 19,650	\$ 1,084,470
Other Accrued Payables	1,014,966	302,664	1,317,630
Accrued Interest Payable	282,638		282,638
Other Post Employment Benefits			
Due in More Than One Year	408,184		408,184
Deposits And Other Liabilities	380,410	19,451	399,861
Unearned Revenue	1,971,793	18,494	1,990,287
Long-Term Liabilities:			
Due Within One Year	1,158,458	-	1,158,458
Due In More Than One Year	26,739,367	-	26,739,367
<b>TOTAL LIABILITIES</b>	<b>\$ 33,020,637</b>	<b>\$ 360,259</b>	<b>\$ 33,380,896</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 19,107,299	\$ 45,583,336	\$ 64,690,635
Restricted	11,001,001	-	11,001,001
Unrestricted	16,025,740	4,395,902	20,421,642
<b>TOTAL NET ASSETS</b>	<b>\$ 46,134,040</b>	<b>\$ 49,979,238</b>	<b>\$ 96,113,278</b>

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

**CITY OF MARINA**

**Statement of Activities  
Year Ended June 30, 2011**

Functions/Programs	Operating Expenses/ Expenditures	Program Revenues		
		Charges for Services & Program Revenue	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 3,472,230	\$ 1,835,880	\$ 410	\$ -
Public Safety	9,477,108	479,229	311,802	-
Public Works	1,626,009	271,388	-	-
Redevelopment	3,626,917	5,254,223	-	-
Economic & Community Development	1,445,090	1,029,624	387,015	-
Recreation & Cultural Activities	1,054,660	186,910	19,905	-
Public Improvements	3,251,769	1,021,255	-	2,420,953
Debt Service Interest & Other Costs	1,215,399	1,282,130	-	-
Total Governmental Activities	\$ 25,169,182	\$ 11,360,639	\$ 719,132	\$ 2,420,953
Business-type Activities:				
Marina Municipal Airport	875,486	872,441	20,000	2,165,920
Abrams B NonProfit Corporation	2,315,180	2,790,705	-	-
Total Business-type Activities	3,190,666	3,663,146	20,000	2,165,920
Totals	\$ 28,359,848	\$ 15,023,785	\$ 739,132	\$ 4,586,873

General Revenues:  
 Sales Tax  
 Property Tax  
 Transient Occupancy Tax  
 Motor Vehicle Taxes  
 Franchise Tax  
 Transfers from Proprietary Funds  
 Investment Earnings  
 Total General Revenues  
 Change in Net Assets  
 Net Assets - Beginning of Year  
 Net Assets - End of Year

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

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,635,940)	\$ -	\$ (1,635,940)
(8,686,077)	-	(8,686,077)
(1,354,621)	-	(1,354,621)
1,627,306	-	1,627,306
(28,451)	-	(28,451)
(847,845)	-	(847,845)
190,439	-	190,439
66,731	-	66,731
<u>\$ (10,668,458)</u>	<u>\$ -</u>	<u>\$ (10,668,458)</u>
	2,182,875	2,182,875
	475,525	475,525
-	<u>2,658,400</u>	<u>2,658,400</u>
<u>\$ (10,668,458)</u>	<u>\$ 2,658,400</u>	<u>\$ (8,010,058)</u>
2,511,539	-	2,511,539
1,800,140	-	1,800,140
1,458,187	-	1,458,187
2,429,466	-	2,429,466
671,996	-	671,996
680,034	(680,034)	-
72,192	-	72,192
<u>\$ 9,623,554</u>	<u>\$ (680,034)</u>	<u>\$ 8,943,520</u>
<u>\$ (1,044,904)</u>	<u>\$ 1,978,366</u>	<u>\$ 933,462</u>
<u>\$ 47,178,944</u>	<u>\$ 48,000,872</u>	<u>\$ 95,179,816</u>
<u><u>\$ 46,134,040</u></u>	<u><u>\$ 49,979,238</u></u>	<u><u>\$ 96,113,278</u></u>

**CITY OF MARINA**

**Balance Sheet  
Governmental Funds  
June 30, 2011**

	<b>Major Funds</b>	
	<b>General</b>	<b>Impact Fee</b>
<b>ASSETS</b>		
Cash and Investments	\$ 8,369,629	\$ 6,175,226
Cash (Restricted)	43	-
Prepaid Expenditures	-	-
Accrued Receivables	1,149,173	-
Due from Other Funds (Short Term Cash Flow Loans)	1,112,990	-
Advances to Other Funds (Long Term)	269,169	-
Notes Receivable	-	-
TOTAL ASSETS	\$ 10,901,004	\$ 6,175,226
<b>LIABILITIES</b>		
Accounts Payable	\$ 741,878	\$ -
Other Accrued Payables	282,213	-
Due to Other Funds (Short Term)	-	-
Deposits and Other Liabilities	363,235	-
Deferred Revenue	88,787	-
Advances From Other funds (Long Term)	-	-
TOTAL LIABILITIES	\$ 1,476,113	\$ -
<b>EQUITY</b>		
Fund Balances:		
Nonspendable	\$ 211,507	\$ -
Restricted	85,158	6,175,226
Committed	-	-
Assigned	-	-
Unassigned	9,128,226	-
TOTAL FUND EQUITY	\$ 9,424,891	\$ 6,175,226
TOTAL LIABILITIES AND EQUITY	\$ 10,901,004	\$ 6,175,226

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

<u>MRA Merged Operation</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,992,116	\$ 5,058,534	\$ 21,595,505
-	246,523	246,566
-	13,419	13,419
27,538	489,226	1,665,937
-	-	1,112,990
-	14,776,877	15,046,046
-	494,042	494,042
<u>\$ 2,019,654</u>	<u>\$ 21,078,621</u>	<u>\$ 40,174,505</u>
\$ 87,891	\$ 235,051	\$ 1,064,820
726,317	6,437	1,014,967
-	1,176,508	1,176,508
-	-	363,235
5,000	15,000,179	15,093,966
563,884	125,000	688,884
<u>\$ 1,383,092</u>	<u>\$ 16,543,175</u>	<u>\$ 19,402,380</u>
\$ -	13,419	\$ 224,926
636,562	4,104,055	11,001,001
-	1,704,032	1,704,032
-	-	-
-	(1,286,060)	7,842,166
<u>\$ 636,562</u>	<u>\$ 4,535,446</u>	<u>\$ 20,772,125</u>
<u>\$ 2,019,654</u>	<u>\$ 21,078,621</u>	<u>\$ 40,174,505</u>

**CITY OF MARINA**

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

**June 30, 2011**

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**Fund Balance - Total Governmental Funds** \$ 20,772,125

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

Long-term Accounts Receivable are treated as deferred revenue in Governmental Funds, but as revenue in the Statement of Net Assets	13,104,998
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
General Capital Assets	\$ 55,852,244
Less: Accumulated Depreciation	<u>(15,006,680)</u>
	40,845,564

Long-term liabilities, accrued unmatrued bond interest & OPEB Unfunded Annual Required Contribution are not due and payable in the current period, and therefore are not reported in the funds:

Compensated Absences	(1,379,559)	
Bonds Payable	(26,470,000)	
Accrued Bond Interest Payable	(282,638)	
OPEB Unfunded Annual Required Contribution	(408,184)	
Capital Leases	<u>(48,266)</u>	<u>(28,588,647)</u>

**Net Assets of Governmental Activities** \$ 46,134,040

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

**CITY OF MARINA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2011**

	<b>Major Funds</b>	
	<b>General</b>	<b>Impact Fee</b>
<b>REVENUES</b>		
Taxes	\$ 8,871,328	\$ -
Fines and Penalties	188,465	-
Licenses & Permits	144,424	-
Investment Earnings	72,122	-
Charges for Services & Other Program Revenues	2,514,634	300,820
Other General Revenues	45,723	-
Total Revenues	<u>\$ 11,836,696</u>	<u>\$ 300,820</u>
<b>EXPENDITURES</b>		
General Government	\$ 2,895,819	\$ -
Public Safety	9,632,113	-
Public Works	1,466,546	-
Redevelopment	-	-
Economic & Community Development	-	-
Recreation & Cultural Services	843,528	-
Public Improvements	-	394
Debt Service - Principal Retirement	-	-
Debt Service - Interest and Other Debt Service	-	-
Total Expenditures	<u>\$ 14,838,006</u>	<u>\$ 394</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (3,001,310)</u>	<u>\$ 300,426</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of Assets	\$ -	\$ -
Inter/Intrafund Transfers In	8,925,031	414,378
Inter/Intrafund Transfers (Out)	(212,433)	(414,863)
Total Other Financing Sources (Uses)	<u>\$ 8,712,598</u>	<u>\$ (485)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 5,711,288</u>	<u>\$ 299,941</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,713,603</u>	<u>5,875,285</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 9,424,891</u></u>	<u><u>\$ 6,175,226</u></u>

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

<u>MRA Merged Operation</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,965,506	\$ 1,092,403	\$ 13,929,237
-	-	188,465
-	-	144,424
8,269	13,032	93,423
89,769	4,916,195	7,821,418
18,438	430,260	494,421
<u>\$ 4,081,982</u>	<u>\$ 6,451,890</u>	<u>\$ 22,671,388</u>
\$ -	\$ -	\$ 2,895,819
-	-	9,632,113
-	630,521	2,097,067
3,174,254	477,532	3,651,786
-	1,445,248	1,445,248
-	13,810	857,338
-	3,141,161	3,141,555
-	710,000	710,000
-	1,027,124	1,027,124
<u>\$ 3,174,254</u>	<u>\$ 7,445,396</u>	<u>\$ 25,458,050</u>
<u>\$ 907,728</u>	<u>\$ (993,506)</u>	<u>\$ (2,786,662)</u>
\$ 1,200,000	\$ -	\$ 1,200,000
255,389	2,869,304	12,464,102
(2,310,305)	(8,846,468)	(11,784,069)
<u>\$ (854,916)</u>	<u>\$ (5,977,164)</u>	<u>\$ 1,880,033</u>
\$ 52,812	\$ (6,970,670)	\$ (906,629)
583,750	11,506,116	21,678,754
<u>\$ 636,562</u>	<u>\$ 4,535,446</u>	<u>\$ 20,772,125</u>

**CITY OF MARINA**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2011**

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Net Change in Fund Balances - Total Governmental Funds	\$	(906,629)
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(revenues and other financing sources in excess of expenditures and other financing uses)

Amounts reported for governmental activities in the  
Statement of Activities is Different Because:

Capital outlay is an expenditure in the government funds financial statements, but the costs of those assets is allocated over their estimated useful lives as depreciation expense in the Statement of Activities.

Capital Asset Acquisitions Net of Dispositions	\$	919,872	
Depreciation Expense		<u>(1,570,483)</u>	(650,611)

Principal portion of Notes Receivable payments are recorded as revenues in governmental funds, but the payment reduces an asset in the Statement of Net Assets: Note Principal Payments Received

(300,000)

Principal portion of note receivable resulting from sale of land was accrued as a revenue in the Statement of Activities for the 09-10 fiscal year, but was not recognized as a governmental fund revenue until the current fiscal year

(127,143)

Repayment of long-term debt principal is an expenditure in the government funds financial statement, but the repayment reduces long-term liabilities in the statement of net assets. Compensated absences reduce net assets but are not included in governmental funds liabilities. Accrued unpaid bond interest & OPEB Unfunded Annual Required Contribution reduce net assets but are not recorded as governmental funds expenditures

Repayment of General Long-term Debt Principal	\$	1,097,183	
OPEB Unfunded Annual Required Contribution		(212,687)	
Decrease in Compensated Absences Liability		45,973	
Decrease in Accrued, Unpaid Bond Interest		<u>9,010</u>	<u>939,479</u>

Change in Net Assets of Governmental Activities	\$	<u>(1,044,904)</u>
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*The notes to financial statements are an integral part of this statement*

**CITY OF MARINA**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

	<b>Airport Operating Fund</b>	<b>Abrams B Housing Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments	\$ 1,155,583	\$ 1,946,028	\$ 3,101,611
Cash (Restricted)	-	1,721,680	1,721,680
Prepaid Expenses	-	1,041,820	1,041,820
Accrued Receivables	17,821	3,970	21,791
Due from Other Funds	198,518	-	198,518
Inventory	57,905	-	57,905
Capital Assets, net	46,460,195	12,228,139	58,688,334
Total Assets	<u>\$ 47,890,022</u>	<u>\$ 16,941,637</u>	<u>\$ 64,831,659</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 17,913	\$ 1,737	\$ 19,650
Accrued Payables	4,336	298,328	302,664
Deferred Revenue	18,494	-	18,494
Deposits & Other Liabilities	19,451	-	19,451
Advances from Other Funds	-	14,492,162	14,492,162
Long-term Liabilities:			
Due within One Year	-	-	-
Due in More Than One Year	-	-	-
Total Liabilities	<u>\$ 60,194</u>	<u>\$ 14,792,227</u>	<u>\$ 14,852,421</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	\$ 46,460,195	\$ (876,859)	\$ 45,583,336
Unrestricted	<u>1,369,633</u>	<u>3,026,269</u>	<u>4,395,902</u>
Total Net Assets	<u>\$ 47,829,828</u>	<u>\$ 2,149,410</u>	<u>\$ 49,979,238</u>

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

**CITY OF MARINA**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
Year Ended June 30, 2011**

	<b>Airport Operating Fund</b>	<b>Abrams B Housing Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Rental Income	\$ 662,362	\$ 2,788,321	\$ 3,450,683
Aviation Fuel Sales	183,663	-	183,663
Other Income	20,795	-	20,795
Total Operating Revenues	<u>\$ 866,820</u>	<u>\$ 2,788,321</u>	<u>\$ 3,655,141</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	\$ 226,542	\$ -	\$ 226,542
Services and Supplies	192,317	-	192,317
Purchases - Aviation Fuel	149,418	-	149,418
Repairs and Maintenance	82,081	1,592,451	1,674,532
Depreciation and Amortization	652,457	295,400	947,857
Total Operating Expenses	<u>\$ 1,302,815</u>	<u>\$ 1,887,851</u>	<u>\$ 3,190,666</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ (435,995)</u>	<u>\$ 900,470</u>	<u>\$ 464,475</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Earnings	\$ 5,621	\$ 2,384	\$ 8,005
Capital Contributions	2,165,920	-	2,165,920
Grant Revenue	20,000	-	20,000
Interfund Transfers Out	(252,705)	(427,329)	(680,034)
Total Nonoperating Revenues (Expenses)	<u>\$ 1,938,836</u>	<u>\$ (424,945)</u>	<u>\$ 1,513,891</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 1,502,841</u>	<u>\$ 475,525</u>	<u>\$ 1,978,366</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>46,326,987</u>	<u>1,673,885</u>	<u>48,000,872</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 47,829,828</u>	<u>\$ 2,149,410</u>	<u>\$ 49,979,238</u>

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

**CITY OF MARINA**

**Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011**

	<b>Airport Operating Fund</b>	<b>Abrams B Housing Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 876,894	\$ 2,787,296	\$ 3,664,190
Payments to Suppliers	(439,738)	(1,643,238)	(2,082,976)
Payments to Employees	(226,058)	-	(226,058)
Net Cash Provided (Used) by Operating Activities	<u>\$ 211,098</u>	<u>\$ 1,144,058</u>	<u>\$ 1,355,156</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans to Other Funds (net)	\$ -	\$ -	\$ -
Transfers (To) From Other Funds	(252,705)	(427,329)	(680,034)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (252,705)</u>	<u>\$ (427,329)</u>	<u>\$ (680,034)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Payments on Long-term Debt	\$ (10,641)	\$ -	\$ (10,641)
Grant Revenue	20,000	-	20,000
Principal Payments on Advances to(from) other Funds	54,160	(728,910)	(674,750)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 63,519</u>	<u>\$ (728,910)</u>	<u>\$ (665,391)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	\$ 5,621	\$ 2,384	\$ 8,005
Net Increase (Decrease) in Cash	\$ 27,533	\$ (9,797)	\$ 17,736
<b>Cash - Beginning of Year</b>	<u>1,128,050</u>	<u>3,677,505</u>	<u>4,805,555</u>
<b>Cash - End of Year</b>	<u>\$ 1,155,583</u>	<u>\$ 3,667,708</u>	<u>\$ 4,823,291</u>

(continued)

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

**CITY OF MARINA**

**Statement of Cash Flows (Continued)  
Proprietary Funds  
Year Ended June 30, 2011**

	<b>Airport Operating Fund</b>	<b>Abrams B Housing Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (435,995)	\$ 900,470	\$ 464,475
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation & Amortization Expense	652,457	295,400	947,857
Change in Assets and Liabilities:			
Prepaid Expenses	-	(50,565)	(50,565)
Accounts Receivable	(2,850)	(2,070)	(4,920)
Inventory	1,268	-	1,268
Accounts & Accrued Payables	(16,706)	(222)	(16,928)
Deferred Revenue & Deposits	12,924	1,045	13,969
Net Cash Provided by Operating Activities	<b>\$ 211,098</b>	<b>\$ 1,144,058</b>	<b>\$ 1,355,156</b>
			(concluded)

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

**CITY OF MARINA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General and Other Major Funds  
Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 8,092,800	\$ 8,767,800	\$ 8,871,328	\$ 103,528
Licenses and Permits	317,200	222,200	144,424	(77,776)
Fines and Forfeitures	193,900	158,900	188,465	29,565
Investment Earnings	189,000	143,991	72,122	(71,869)
Charges for Services & Other Program Revenue	1,912,500	1,932,512	2,514,634	582,122
Other General Revenue	1,583,775	344,775	45,723	(299,052)
Total Revenues	<u>\$ 12,289,175</u>	<u>\$ 11,570,178</u>	<u>\$ 11,836,696</u>	<u>\$ 266,518</u>
<b>EXPENDITURES</b>				
General Government	\$ 3,375,360	\$ 3,245,128	\$ 2,895,819	\$ 349,309
Public Safety	9,967,900	9,987,948	9,632,113	355,835
Public Works	1,465,900	1,628,789	1,466,546	162,243
Recreation & Cultural Services	982,200	985,159	843,528	141,631
Redevelopment	-	-	-	-
Total Expenditures	<u>\$ 15,791,360</u>	<u>\$ 15,847,024</u>	<u>\$ 14,838,006</u>	<u>\$ 1,009,018</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (3,502,185)</u>	<u>\$ (4,276,846)</u>	<u>\$ (3,001,310)</u>	<u>\$ 1,275,536</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	\$ -	\$ -	\$ -	\$ -
Interfund Transfers In	6,522,709	8,931,308	8,925,031	(6,277)
Interfund Transfers Out	(173,000)	(196,041)	(212,433)	(16,392)
Total Other Financing Sources (Uses)	<u>\$ 6,349,709</u>	<u>\$ 8,735,267</u>	<u>\$ 8,712,598</u>	<u>\$ (22,669)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 2,847,524</u>	<u>\$ 4,458,421</u>	<u>\$ 5,711,288</u>	<u>\$ 1,252,867</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,509,322</u>	<u>3,713,603</u>	<u>3,713,603</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 5,356,846</u></u>	<u><u>\$ 8,172,024</u></u>	<u><u>\$ 9,424,891</u></u>	<u><u>\$ 1,252,867</u></u>

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

**Impact Fee Fund**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	300,820	300,820
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,820</u>	<u>\$ 300,820</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	394	(394)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394</u>	<u>\$ (394)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,426</u>	<u>\$ 300,426</u>
\$ -	\$ -	\$ -	\$ -
937,202	414,378	414,378	-
(141,461)	(414,863)	(414,863)	-
<u>\$ 795,741</u>	<u>\$ (485)</u>	<u>\$ (485)</u>	<u>\$ -</u>
\$ 795,741	\$ (485)	\$ 299,941	\$ 300,426
<u>4,990,575</u>	<u>5,875,285</u>	<u>5,875,285</u>	<u>-</u>
<u>\$ 5,786,316</u>	<u>\$ 5,874,800</u>	<u>\$ 6,175,226</u>	<u>\$ 300,426</u>

(continued)

**CITY OF MARINA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General and Other Major Funds  
Year Ended June 30, 2011**

	<b>MRA Merged Operating</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
Taxes	\$ 3,142,000	\$ 3,872,406	\$ 3,965,506	\$ 93,100
Licenses and Permits	-	-	-	-
Fines and Penalties	-	-	-	-
Investment Earnings	8,500	8,000	8,269	269
Charges for Services & Program Revenues	78,000	66,200	89,769	23,569
Other General Revenue	130,000	101,670	18,438	(83,232)
<b>Total Revenues</b>	<b>\$ 3,358,500</b>	<b>\$ 4,048,276</b>	<b>\$ 4,081,982</b>	<b>\$ 33,706</b>
<b>EXPENDITURES</b>				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-
Public Works	-	-	-	-
Recreation & Cultural Services	-	-	-	-
Redevelopment	3,173,740	3,283,664	3,174,254	109,410
<b>Total Expenditures</b>	<b>\$ 3,173,740</b>	<b>\$ 3,283,664</b>	<b>\$ 3,174,254</b>	<b>\$ 109,410</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 184,760</b>	<b>\$ 764,612</b>	<b>\$ 907,728</b>	<b>\$ 143,116</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	\$ -	\$ 1,200,000	\$ 1,200,000	\$ -
Interfund Transfers In	51,000	255,389	255,389	-
Interfund Transfers Out	(940,656)	(2,395,148)	(2,310,305)	84,843
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (889,656)</b>	<b>\$ (939,759)</b>	<b>\$ (854,916)</b>	<b>\$ 84,843</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (704,896)</b>	<b>\$ (175,147)</b>	<b>\$ 52,812</b>	<b>\$ 227,959</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>917,174</b>	<b>917,174</b>	<b>583,750</b>	<b>(333,424)</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 212,278</b>	<b>\$ 742,027</b>	<b>\$ 636,562</b>	<b>\$ (105,465)</b>

(concluded)

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

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

**1 - The Reporting Entity**

The City of Marina was incorporated in 1975 under the laws of the State of California, and operates under a Council - Manager form of government. The City provides a full range of municipal services to its citizens including police, fire, public works, recreation & culture, community development and general administration.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraph are included in the City's reporting entity because the City is financially accountable for their operations and because the City and both component units share the same governing body.

The Marina Redevelopment Agency was established as a separate legal entity under state law to eliminate economic, physical, visual and social blight and is a component unit of the City. Although a legally separate entity, the Agency is reported on a blended basis as part of the primary government.

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 redevelopment 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 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.

The Abrams B Non-Profit Corporation was formed to account for operation of a 192-unit multi-family housing development, known as Abrams B Apartments, under a 50-year ground lease from the City of Marina, which owns the property. The ground lease is reported as a capital asset (a leasehold interest) on the balance sheet of the Abrams B Housing Fund. Although a legally separate entity, the Corporation is reported on a blended basis as part of the primary government.

**2 - Significant Accounting Policies**

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

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

summary of significant accounting policies.

Basis of Presentation

Government-wide and Fund Financial Statements

*Government-wide Statements* include the Statement of Net Assets and the Statement of Activities, which report information on all activities of the primary government and its component unit. The effect of interfund activity has been eliminated from these statements. The Statement of Net Assets presents all assets, including capital assets, as well as short and long-term liabilities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services.

The statement of activities ostensibly demonstrates the extent to which direct expenses of a given function are offset by program revenues. Direct expenses are those identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions restricted to meeting operational or capital requirements of a particular function as well as interest earned on those revenues. Revenues that are not classified as program revenues, including taxes, are general revenue.

*Fund Financial Statements* provide information separately for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds are reported separately with non-major governmental funds combined in a single column.

Fund Accounting

The City'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 or expenses, as appropriate.

Governmental Funds

*The General Fund* is the City's operating fund and accounts for all financial resources except those accounted for in a separate fund due to third-party or management restrictions.

*Special Revenue Funds* account for the proceeds of revenue sources that are restricted to specific purposes other than major capital projects and debt service.

*Capital Projects Funds* account for revenues and expenditures for the acquisition or construction of major capital facilities.

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Notes to Financial Statements  
Year Ended June 30, 2011

*Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

#### Proprietary Funds

*Enterprise Funds* account for activities that are financed and operated similar to private business, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges. The City accounts for the operation of its airport, and the Abrams B Apartments, on this basis.

*Major Funds:* Generally Accepted Accounting Principles require that fund financial statements disclose each major fund separately, and that all non-major funds be aggregated. The General Fund is always a major fund. Other major fund are those whose assets, liabilities, revenues and/or expenditures exceed ten percent (10%) of the City's governmental funds total for that category, and also exceed five percent (5%) of city-wide totals including enterprise funds for that category. The following three funds are classified as major funds: General Fund which accounts for all on-going general governmental activities not reported in other funds; Impact Fee Fund which accounts for impact fee revenues and related expenditures; and the Marina Redevelopment Agency Merged Operating Fund, which accounts for all redevelopment activity except for low-and-moderate-income housing activity, which is accounted for in a separate redevelopment fund.

#### Measurement Focus and Basis of Accounting

Measurement focus refers to *what* transactions are reported in a fund. 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. Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenditures are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current

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Notes to Financial Statements  
Year Ended June 30, 2011

fiscal period. Expenditures generally are recorded when a liability is incurred if payable within the aforementioned 60-day availability period, except for debt service payments, and expenditures related to claims, judgments and compensated absences, which are recorded when payment is due.

Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes, such as sales and use, business license, transient occupancy, franchise fees and gas taxes, interest, special assessments levied, state and federal grants and charges for current services. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

#### Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America occasionally requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Cash and Deposits

See Note 4.

#### Property Taxes

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes, except on real property, with the approval of two-thirds of the qualified electors.

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

All property taxes are collected and allocated by the County of Monterey to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively.

Receivables and Payables

Property, sales and use taxes related to the current fiscal year are accrued as revenue and accounts receivable if considered available (received within 60 days of year end.) Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred.

Long-term loans receivable are recorded to avoid understatement, but offset by deferred revenue because the resources are not available for appropriation.

Balances representing lending/borrowing transactions between funds at the end of the fiscal year are reported as due to/due from (short-term) or advances from/to other funds (long-term). Determination as to whether interfund receivables/payables are short or long term, particularly when formal loan documents do not exist, depends on the facts and circumstances of each transaction and to some extent is necessarily a matter of subjective judgment on the part of Financial Management. Irrespective of the short-or-long-term classification, the total receivable/payable will be correctly stated.

Allowance for Doubtful Accounts

The City recognizes bad debts, on the rare occasion when a bad debt arises, using the direct write-off method due to the uncertainty of recording an allowance in advance, and the public impact of presenting such information on an estimated basis. While accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts, the effect of using the direct write-off method does not differ materially from the results that would be obtained if the allowance method were followed, and Management considers the direct write-off method to be superior.

Inventories and Prepaid Items

The aviation fuel inventory held by the Airport proprietary fund is stated at cost using the First-In-First-Out (FIFO) valuation method. Materials and supplies used by governmental funds are recorded as expenditures at the time they are purchased or obtained. Occasionally, payments to vendors relate to costs applicable to future accounting periods and are recorded as prepaid items; such items are generally not material in amount overall.

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at historical cost, or at estimated replacement cost where original cost was not available. Contributed capital assets are valued at estimated fair market value on the date contributed, if ascertainable. The City possesses certain capital assets that were acquired by capital lease, and are recorded as capital assets at cost. The City capitalizes assets whose acquisition or construction cost equals or exceeds:

Equipment	\$ 5,000
Buildings and Improvements	50,000
Infrastructure	100,000

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from four to forty years.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation, sick leave and compensatory time off. The liability for accumulated leave includes all salary-related payments that are directly and incrementally connected with leave payments to employees. In governmental fund types, the cost of vacation and sick leave benefits is recognized when payments are made to employees.

Upon termination, employees are paid 100% of accrued vacation leave and compensatory time off. Personal Time Off (PTO) and sick leave is paid in accordance with the applicable employee Memorandum of Understanding (MOU) or individual employment contract. A long-term liability of \$1,379,559 for accrued benefits was recorded at June 30, 2011.

Deferred Revenue

Deferred revenues arise when a future revenue is recorded as a receivable but does not meet the 'available' criteria for current-period recognition. Deferred revenue also arises when cash is received before the City earns it; for instance, when rents, leases, business licenses or other fees are paid in advance. Total deferred revenue in the Governmental Funds Balance Sheet of \$15,093,966 at June 30, 2011, comprises: 1) first-time homebuyer, business loans, housing rehabilitation loans of \$150,000, \$267,542 and \$76,500 respectively; 2) advance business licenses, rent and other short-term prepayments of \$82,762; 3) an interfund note receivable in the amount of \$13,104,998 to repay the Abrams B Multifamily Housing Revenue Bonds; 4) an interfund receivable representing the balance of the purchase price to acquire a leasehold interest in the Abrams B Apartments in the amount of \$1,387,164; and a long-term loan to Fort Ord

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

Housing Authority of \$25,000. Principal and interest payments on deferred loans is recorded as revenue when received, and deferred user charges will be recognized in the period to which they apply. Enterprise funds total deferred revenues of \$37,945 consist of advance rents of \$18,494 and other prepaid revenues of \$19,451.

Long -Term Obligations

In the government-wide financial statements and proprietary fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Except for interfund obligations, long-term debt is not reported in governmental funds.

Encumbrances

Encumbrance accounting is used during the year for budgetary control. Encumbrances lapse at year end.

Fund Equity

The difference between the assets and liabilities of a governmental fund is referred to as fund balance, or net assets. (See Note 10 for further disclosures). Occasionally, a fund's liabilities exceed its assets, resulting in a deficit fund balance. Following are deficit fund balances at June 30, 2011, and short explanations:

*Development Activity* - \$1,143,438 - accounts for strategic development projects on a cost-recovery basis. Certain development costs are borne by other City funds while others are eventually recovered through negotiations with developers. Cost recovery typically lags behind costs incurred.

*Airport Capital Projects* - \$72,960 - Federal project revenues are claimed on a cost-reimbursement basis, and lag behind project costs by law.

*Streets Fund* - \$69,662 - The State of California has borrowed highway user taxes tax revenues from cities as permitted by the state constitution. The borrowed taxes must be repaid to the Cities in the future without interest.

Internal Activity Eliminations

Generally Accepted Accounting Principles require that with certain exceptions, the effects of interfund activity be eliminated from the government-wide financial statements by means of consolidation. At June 30, 2011 the City had recorded numerous interfund receivables/payables between various funds, and numerous interfund transfers between funds. (See Note 9) For financial reporting purposes, the City discloses all interfund activity in the fund financial statements, but eliminates activity between individual

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

Governmental Funds and between individual Enterprise Funds, then eliminates interfund activity between governmental and proprietary funds by disclosing the offsetting amounts as 'Internal Balances' with resulting zero balances in the statement of net assets and statement of activities.

### 3 - Stewardship, Compliance and Accountability

#### Budgetary Information

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the ensuing July 1, which includes proposed expenditures and the means of financing them, including anticipated revenues and fund balance carry-forwards.
2. The City Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted by Council resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers of revenues and appropriations within and between departments of the General Fund, and within and between projects/departments of any fund.
5. The Finance Director records budget adjustments and realignments as necessary for carryover balances, encumbrances and continuing contracts to eliminate unfavorable budget variances.

### 4 - Cash and Deposits

Cash and investments reported in the financial statements at June 30, 2011 consist of:

Deposits With Financial Institutions	\$ 1,056,185
Local Agency Investment Fund (LAIF)	22,263,290
Cash Held By Bond Trustees & Fiscal Agents *	3,339,987
Imprest Cash	<u>5,900</u>
Total Cash and Deposits	<u>\$ 26,665,362</u>

\* See disclosures below under 'Cash with Fiscal Agents'

The City follows the practice of pooling cash of all funds except cash held by rental

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

agents and cash required to be held by outside agents under the provisions of bond indentures or grants. 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 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. (GC §§53652 & 53653) 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All deposits held in the City's name by financial institutions comply with state law. In addition, as operating manager of the Abrams B Non-Profit Corporation's rental activity, Alliance Properties Management Company holds approximately \$1,520,146 cash on behalf of the Corporation in the City's name.

Cash with Bond Trustee and Fiscal Agents

At June 30, 2011, Cash with Bond Trustees comprised the following:

Wells Fargo Government Money Market Fund	\$	44	
Blackrock Institutional Money Market Funds		<u>1,819,797</u>	
Total Cash with Bond Trustees			\$1,819,841
Cash with Rental Agent: Bank of America Demand Deposit			<u>1,520,146</u>
Total cash with Bond Trustees and Fiscal Agent			<u>\$3,339,987</u>

Cash held by trustees on behalf of bond holders are governed by provisions of the indentures rather than the general provisions of the California Government Code or the City's investment policy. Generally, the indentures allow a wide range of investments including investments in money market mutual funds rated AAAM, AAAM-G, or Aaa by Standard & Poors and/or Moody's. During fiscal year 2010-11, all investments held by trustees complied with indenture requirements. Cash held by fiscal agent in demand deposit accounts complied in all respects with security and collateralization requirements of the California Government Code:

CITY OF MARINA  
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Investments Authorized by the City's Investment Policy

The City'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, 2011, all City deposits were placed with Rabobank in Marina, and the City had 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 City's 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 City's investment policy limits investments with a single institution (exclusive of government agencies such as LAIF) to no more than 25% of the portfolio. During 2010-11, no investments were placed with any one issuer that exceeded 25% of the total portfolio.

The City's investment policy assigns authority and responsibility to manage the City's investment portfolio to the Finance Director. Pursuant to such authority, during fiscal year 2010-11 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. City deposits in this pool are reported in the accompanying financial statements at cost which approximates fair value. Deposits may be withdrawn without interest or principal penalties on short notice and are more similar to cash than an investment. Deposits with the LAIF at June 30, 2011, totaled \$22,263,290.

## **5 - Notes Receivable**

Notes receivable of \$417,542 in the CDBG Fund include small business loans made for

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the implementation of a business assistance program and first-time homebuyer assistance loans that bear annual interest rates ranging from 5% to 6%, with various repayment plans.

CDBG Housing Fund notes receivable of \$76,500 consist of loans made for low-income housing purchase and rehabilitation. Loans are collateralized by deeds of trust on the purchased or improved properties, bear annual interest rates ranging from 3% to 7%, and require no repayment until transfer of property title, or the loan reaches maturity.

**6 - Capital Assets**

Governmental (General) Capital Assets changed during FY 10-11 as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Land (non-depreciable)	\$ 2,640,394	\$ -	\$ -	\$ 2,640,394
Buildings & Improvements	34,663,097	484,360	(34,435)	35,113,022
Equipment	5,095,314	32,796	-	5,128,110
Infrastructure	12,533,567	437,151	-	12,970,718
Cost of Depreciable Assets	<u>52,291,978</u>	<u>954,307</u>	<u>(34,435)</u>	<u>53,211,850</u>
Less: Accumulated Depreciation				
Buildings & Improvements	(8,659,686)	(897,068)	-	(9,556,754)
Equipment	(4,050,103)	(354,969)	-	(4,405,072)
Infrastructure	(726,408)	(318,446)	-	(1,044,854)
Total Accumulated Dep'n	<u>(13,436,197)</u>	<u>(1,570,483)</u>	<u>-</u>	<u>(15,006,680)</u>
Net Depreciable Assets	<u>38,855,781</u>	<u>(616,176)</u>	<u>(34,435)</u>	<u>38,205,170</u>
Capital Assets, Net	<u>\$ 41,496,175</u>	<u>\$ (616,176)</u>	<u>\$ (34,435)</u>	<u>\$ 40,845,564</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 467,407
Public safety	350,193
Public Works	152,103
Economic & Community Development	5,985
Recreation & Cultural Services	187,970
Public Improvements	406,825
Total depreciation expense	<u>\$ 1,570,483</u>

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Business Activity-Type Assets changed as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Land (non-depreciable)	\$36,900,000	\$ -	\$ -	\$36,900,000
Buildings	8,075,995	461,614	-	8,537,609
Improvements	20,952,333	1,704,305	-	22,656,638
Equipment	183,816	-	-	183,816
Cost of Depreciable Assets	<u>29,212,144</u>	<u>2,165,919</u>	<u>-</u>	<u>31,378,063</u>
Less: Accumulated Depreciation				
Buildings	(3,217,210)	(496,394)	-	(3,713,604)
Improvements	(5,302,950)	(415,990)	-	(5,718,940)
Equipment	(148,447)	(8,738)	-	(157,185)
Total Accumulated Depr'n	<u>(8,668,607)</u>	<u>(921,122)</u>	<u>-</u>	<u>(9,589,729)</u>
Net Depreciable Assets	<u>20,543,537</u>	<u>1,244,797</u>	<u>-</u>	<u>21,788,334</u>
Capital Assets, Net	<u>\$57,443,537</u>	<u>\$ 1,244,797</u>	<u>\$ -</u>	<u>\$ 58,688,334</u>

## 7 - Long-Term Debt

Following are the long-term debt issues outstanding at June 30, 2011, including a description of each issue:

### General Obligation Bonds

1998 General Obligation Refunding Bonds – Authorized and issued June 1998, due in annual installments of \$15,000 to \$65,000 plus accrued interest through August 2019, for the purpose of refunding the 1989 General Obligation Bonds Series A. Interest is payable semi-annually in February and August at 4.4% to 5.6% per annum.

*Balance Due* \$455,000

### General Obligation Bonds

2005 General Obligation Bonds – Authorized and issued May 2005, due in annual installments of \$5,000 to \$695,000 plus accrued interest through August 2035, for the purpose of constructing a new library. Interest is payable semi-annually in February and August at 3% to 5.25% per annum.

*Balance Due* \$7,970,000

### General Obligation Bonds

2007 General Obligation Bonds – Authorized and issued April 2007 as part of a larger offering facilitated by the California Statewide Communities Development Authority, due in annual installments of \$15,000 to \$625,000 plus accrued interest through June 2019,

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for the purpose of refinancing an unfunded CalPERS pension liability. Interest is payable semi-annually in June and December at 5.21% to 5.3% per annum.

*Balance Due* \$ 3,320,000

Tax Allocation Bonds

Marina Redevelopment Agency, Marina Municipal Airport Area 2000 Tax Allocation Bonds, Series A - Authorized and issued November 2000, due in annual installments of \$10,000 to \$45,000 plus accrued interest through January 2031, to provide funds to finance redevelopment activities with respect to the Marina Municipal Airport area. Interest is payable semi-annually in January and July at 4.75% per annum.

*Balance Due* \$ 565,000

Tax Allocation Bonds

Marina Redevelopment Agency Public Safety Building Project - 2002 Refunding Tax Allocation Bonds - Authorized and issued July 2002, due in annual installments of \$95,000 to \$135,000 plus accrued interest through August 2011, for the purpose of refunding the 1996 Refunding Bonds. Interest is payable semi-annually in February and August at 4.4% per annum.

*Balance Due* \$ 135,000

Limited Obligation Improvement Bonds

1999 Refunded Marina Greens Assessment District Bonds - Authorized and issued August 2000, due in annual installments of \$35,000 to \$80,000 plus accrued interest through September 2015, for the purpose of refunding the 1994 Marina Greens Business Park Improvement Assessment District Limited Obligation Improvement Bonds used for the purpose of financing the construction of improvements and the acquisition of certain rights of way. Interest is payable semi-annually in March and September at 4.3% to 6% per annum.

*Balance Due* \$ 355,000

Limited Obligation Improvement Bonds

2001 Refunded Marina Landing Assessment District Bonds - Authorized and issued July 2001, due in annual installments of \$108,000 to \$190,000 plus accrued interest through September 2013, for the purpose of refunding the 1993 Marina Landing Assessment District Limited Obligation Improvement Bonds used for the purpose of financing the construction of improvements and the acquisition of certain rights of way. Interest is payable semi-annually in March and September at 4% to 5.75% per annum.

*Balance Due* \$ 540,000

Revenue Bonds

2006 Multifamily Housing Revenue Bonds - Authorized and issued November 2006, due in annual installments of \$110,000 to \$160,000 through May 2016, then a lump-sum redemption of \$10,275,000 on November 15, 2036, principal and interest, for the purpose of financing the acquisition of the Abrams B Apartments. Interest is payable

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semi-annually in May and November at 3.45% to 3.95% per annum.

*Balance Due*

\$ 13,130,000

General Long-Term Debt changed as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within 1 Year
General Obligation Bonds	\$12,155,000	-	\$ 410,000	\$11,745,000	\$ 445,000
Revenue Bonds	13,430,000	-	300,000	13,130,000	305,000
Tax Allocation Bonds	845,000	-	145,000	700,000	150,000
Limited Obligation Bonds	1,115,000	-	220,000	895,000	235,000
Sub-Total Bonded Debt	<u>\$27,545,000</u>	-	<u>\$1,075,000</u>	<u>\$26,470,000</u>	<u>\$ 1,135,000</u>
Capital Lease Obligation	70,448	-	22,182	48,266	23,458
Compensated Absences	1,425,532	-	45,973	1,379,559	-
Total	<u>\$29,040,980</u>	-	<u>\$1,143,155</u>	<u>\$27,897,825</u>	<u>\$ 1,158,458</u>

Annual principal and interest requirements on general long-term debt outstanding at June 30, 2011, not including leases and compensated absences, are as follows:

Year Ending June 30,	General Obligation Bonds	Revenue Bonds	Tax Allocation Bonds	Limited Obligation Bonds	Total	Interest	Principal
2012	\$1,023,600	\$787,424	\$179,808	\$280,512	\$2,271,344	\$1,161,344	\$1,110,000
2013	1,050,640	792,097	46,125	276,550	2,165,412	1,110,412	1,055,000
2014	1,079,986	791,165	45,175	276,863	2,193,189	1,043,189	1,150,000
2015	1,116,155	789,708	44,225	82,050	2,032,138	982,138	1,050,000
2016	1,158,735	787,715	43,275	82,400	2,072,125	937,125	1,135,000
2017-2021	3,849,303	2,291,975	220,700	-	6,361,978	4,131,978	2,230,000
2022-2026	3,108,441	2,291,975	223,875	-	5,624,291	3,779,291	1,845,000
2027-2031	3,437,948	2,291,975	223,975	-	5,953,898	3,278,898	2,675,000
2032-2036	3,569,187	12,896,172	-	-	16,465,359	3,605,359	12,860,000
2037	-	1,360,000	-	-	1,360,000	-	1,360,000
Subtotal	<u>\$19,393,995</u>	<u>\$25,080,206</u>	<u>\$1,027,158</u>	<u>\$998,375</u>	<u>\$46,499,734</u>	<u>\$20,029,734</u>	<u>\$26,470,000</u>
Less Interest	(7,648,995)	(11,950,206)	(327,158)	(103,375)	(20,029,734)	-	-
Principal	<u>\$11,745,000</u>	<u>\$13,130,000</u>	<u>\$700,000</u>	<u>\$895,000</u>	<u>\$26,470,000</u>	<u>\$20,029,734</u>	<u>\$26,470,000</u>

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**8 - Capital Leases**

A schedule of future minimum lease payments pursuant to a capital lease for a new street sweeper, together with the present value of the minimum lease payments at June 30, 2011 follows:

Year Ending June 30	Long-Term Debt
2012	\$ 26,234
2013	<u>26,234</u>
Total Lease Payments	\$ 52,468
Less Interest	<u>-4,202</u>
Principal Portion of Future Lease Payments	<u>\$ 48,266</u>

**9 - Interfund Transactions**

Interfund Loans

Interfund loans are temporary resource transfers between funds for cash-flow and other purposes that will be repaid within a reasonable time pursuant to loan agreements, promissory notes and City Council resolutions. Interfund loans at June 30, 2011 were as follows:

Due To	Due From	Amount
General Fund <sup>(1)</sup>	Other Governmental Funds	\$ 1,382,159
Abrams B Bond Fund <sup>(2)</sup>	Abrams B Housing Fund	13,104,998
City Capital Projects Fund <sup>(3)</sup>	Abrams B Housing Fund	1,387,164
Redevelopment Housing <sup>(4)</sup>	Other Governmental Funds	284,715
Airport Fund <sup>(5)</sup>	Other Governmental Funds	<u>198,518</u>
	Total	<u>\$ 16,357,554</u>

(1) Loans to general fund include short-term cash flow loans to various funds of \$1,112,990 which will be repaid next fiscal year; two formal, interest-bearing amortizing loans to the Redevelopment Agency in the total amount of \$145,655, which will be fully repaid during the 2013-14 fiscal year; non-interest bearing, non-amortizing loans to the Redevelopment Agency and Capital Projects Fund of \$48,514 and \$75,000 which will be repaid as resources permit.

(2) The Abrams B Housing Fund borrowed \$14,360,000 from the City on a formal interest-bearing, amortizing promissory note for the purpose of acquiring the Abrams B Housing Project from the Fort Ord reuse Authority. Payments are made in essentially equal annual amounts, and the note will be fully amortized during fiscal year 2035-36.

(3) The Abrams B Housing Fund owes the City \$1,387,164 for the purchase of a leasehold interest in the Abrams B Housing Project

(4) During fiscal year 2009-10, the Redevelopment Agency Operating Fund borrowed \$284,715 to pay the State Supplemental Educational Revenue Augmentation Fund

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(SERAF) obligation. This loan must be repaid within five years.

(5) The Airport Operating Fund made a \$63,518 short-term cash flow loan to the Airport Capital Projects fund which will be repaid during fiscal year 2011-12. The Airport Fund also loaned \$85,000 to the Redevelopment Agency Operating Fund and \$50,000 to the City's Strategic Development Fund. These loans will likely not be repaid within one year, but will be repaid as resources permit.

Interfund Transfers

Inter/intrafund transfers are permanent transfers of resources between/within funds with no repayment requirement. The following transfers occurred during FY 2010-11:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 7,107,038
	MRA Operating Fund	1,353,656
	Airport Fund	37,008
	Abrams B Housing Fund	427,329
Impact Fee Fund	Other Governmental Funds	414,378
MRA Merged Operating	Other Governmental Funds	225,389
	Airport Fund	30,000
Other Governmental Funds	General Fund	212,433
Other Governmental Funds	Impact fee Fund	414,863
	Airport Fund	185,697
	MRA Operating Fund	956,649
	Other Governmental Funds	<u>1,099,662</u>
	Total	<u>\$ 12,464,102</u>

Interfund transfers that occur on a regular basis include routine annual transfers from the Abrams B NonProfit Corporation to the General Fund for rent; transfers from the Redevelopment Agency Operating Fund to the housing and debt service funds; transfers from the Impact Fee Fund to the Capital Projects Funds to partially finance capital projects; and transfers from other funds to the General Fund for cost allocation. During fiscal year 2010-11, the Redevelopment Agency sold a parcel of land and transferred the \$1.2 million proceeds to the City pursuant to a formal agreement.

**10 - Classifications of Fund Balances**

As previously stated, fund financial statements designate the difference between assets and liabilities of a governmental fund 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. While GASB 54 became mandatory for the 2010-11 fiscal year, earlier implementation was

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encouraged. Accordingly, the City adopted the new classifications for the 2009-10 and subsequent fiscal years. The new fund balance reporting standards include *nonspendable*, *restricted*, *committed*, *assigned*, and *unassigned* classifications based on the relative strength of the constraints that control how specific resources can be spent, and the fund(s) in which those resources are reported.

'*Nonspendable*' fund balance are amounts that cannot be spent because they are not in spendable form, such as inventories or prepaid expenses, or because they are legally or contractually required to be maintained intact. This also includes the long-term portion of notes and loans receivable, but does not include imprest cash.

'*Restricted*' fund balance are amounts constrained by external parties that can be spent only for purposes '...stipulated by constitution, external resource providers, or through enabling legislation' such as gas tax cash held by the Streets Fund, cash held by the Redevelopment Agency's Low and Moderate Income Housing Fund which can only be used for housing purposes permitted by state law, and cash in Debt Service Funds held to repay bonded indebtedness as required by related bond indentures.

'*Committed*' fund balance are amounts that are neither unspendable nor restricted, that are constrained for specific purposes by formal action of the City's highest level of decision-making authority, such as: Council-adopted budget or other resolutions; motions; or minute orders recorded in the official minutes for the meeting at which such limitation is imposed. 'Committed' resources require equal or higher action by the Council to remove or change the constraints placed on those resources.

'*Assigned*' fund balance are amounts intended for specific purposes but are not nonspendable and do not meet the criteria of 'Restricted' or 'Committed.' In all funds except the general fund, '*assigned*' fund balance represents the positive amount that is not nonspendable, restricted or committed. 'Assigned' resources can be imposed by the City Council itself, or by the City Manager and/or the Finance Director if authorized by Council action. For example, the Council may delegate authority for making certain budget modifications or setting aside resources for anticipated projects and programs.

'*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.

When an expenditure occurs for which both restricted and unrestricted resources are available, the City generally considers the expenditure to have been made from restricted resources. Likewise, when an expenditure occurs for which either committed, assigned or unassigned resources are available, the City generally considers the expenditure to have been made from committed resources.

GASB alleges the new classifications enhance the usefulness of fund balance 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.

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Pursuant to GASB 54, the \$9,424,891 General Fund fund balance, and the \$20,772,125 total governmental fund balances at June 30, 2011 were classified as follows:

	General Fund	All Funds
Nonspendable	\$ 211,507	\$ 224,926
Restricted	85,158	11,001,001
Committed	-	1,704,032
Assigned	-	-
Unassigned	<u>9,128,226</u>	<u>7,842,166</u>
Total	<u>\$9,424,891</u>	<u>\$20,772,125</u>

Detailed explanations for each category follows:

		Non-				
Fund	Total	Spendable	Restricted	Committed	Unassigned	Nature of Constraint
General Fund	\$9,128,226	\$-	\$-	\$-	\$9,128,226	Unconstrained General Fund balance
"	211,507	211,507	-	-	-	- Non-current advances to other funds
"	85,158	-	85,158	-	-	- Bond trust & CSA 74 cash limited by indenture/law
Total General Fund	<u>\$9,424,891</u>	<u>\$211,507</u>	<u>\$85,158</u>	<u>\$-</u>	<u>\$9,128,226</u>	
Special Revenue Funds	7,666,052	-	7,666,052	-	-	- Restricted to specific uses by law or grants
GASB-45 Fund	100,000	-	-	100,000	-	- Committed to OPEB liability by Council action
Streets	(69,662)	-	-	-	(69,662)	- Negative balance reportable as unassigned
PEG	153,092	-	-	153,092	-	- Committed to public access by Council action
Landscape Districts	64,879	-	64,879	-	-	- Restricted by law to specific geographic areas
Redevelopment Funds	1,405,506	-	1,405,506	-	-	- Restricted by law to redevelopment use
Strategic Development	(1,143,438)	-	-	-	(1,143,438)	- Negative balance reportable as unassigned
Airport Capital Projects	(72,960)	-	-	-	(72,960)	- Negative balance reportable as unassigned
Parks Capital Projects	35,824	-	35,824	-	-	- Restricted to parks use by Quimby Fee law
City Capital Projects	1,450,940	-	-	1,450,940	-	- Committed to specific projects by Council action
Library Construction	398,042	-	398,042	-	-	- Restricted to library use by bond indenture
Debt Service Funds	1,358,959	13,419	1,345,540	-	-	- Prepays & Restricted to debt service by indenture
total fund balances	<u>\$20,772,125</u>	<u>\$224,926</u>	<u>\$11,001,001</u>	<u>\$1,704,032</u>	<u>\$7,842,166</u>	

## 11 - Defined Benefit Pension Plan

### Plan Description

The City of Marina contributes to the California Public Employees Retirement System (PERS), a cost-sharing 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

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Executive Office, 400 P Street, Sacramento, California 95814.

Funding Status and Progress

Miscellaneous participants and public safety participants are required to contribute 7% and 9%, respectively, of their annual covered salary. The City makes the contributions required of city employees on their behalf and for their account. The City's required contributions are determined actuarially as a percentage of covered payroll, for Miscellaneous and Safety members respectively, as follows for prior years: 2007/08 12.173% & 33.038%; 2008/09 9.044% & 19.27%; for 2009/10 8.902% & 18.813%; for the current year 2010/11 8.6% & 18.0%; for 2011/12 10.059% & 24.112%; and for 2012/13 10.5% & 25.4% (projected). The contribution requirements of plan members and the City are established and periodically amended by CalPERS.

Annual Pension Cost

The City's annual pension cost of \$1,771,306 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a 7.75% investment rate of return (compounded annually, net of administrative expenses), (b) projected annual salary increases that vary from 3.45% to 14.45% depending on age, service and type of employment, (c) an inflation rate of 3.00%, and (d) a payroll growth rate of 3.25%.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$1,605,518	100%	\$ 0
6/30/10	1,748,307	100%	0
6/30/11	1,771,306	100%	0

Plan Actuarial Value and Funding Progress

Effective for the 2005/06 fiscal year, PERS plans with fewer than 100 active members as of June 30, 2003 are required to participate in a risk pool. With the implementation of risk-pooling, PERS no longer provides stand-alone valuation reports.

**12 - Post-Retirement Health Care Benefits**

*Plan Description:* The City of Marina participates in the California Public Employees Retirement System (CalPERS), a cost-sharing multiple employer public employee defined benefit pension plan. CalPERS provides postemployment medical insurance benefits to retirees and their spouses who meet plan eligibility requirements in

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accordance with various labor agreements. Employees are eligible for postretirement medical benefits upon reaching age 50 with a minimum of five years of service. Retirees can enroll in any of the available CalPERS medical plans, and City-provided benefits continue for the life of the retiree and surviving spouse. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (\$101 per month for 2009, \$105 per month in 2010, \$108 per month in 2011 and is projected to be \$112 per month in 2012. Thereafter, monthly contributions will increase to reflect changes in the medical care component of the Consumer Price Index) Retirees must pay any premium amounts in excess of the City contribution. For each employee bargaining unit, the minimum amount that the City contributes is being pro-rated over the 20-year period starting from that unit's coverage under CalPERS.

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due.) For fiscal year 2010-11, the City contributed \$11,729 to the plan (100% of total current premiums). The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the 2010/10 fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution (ARC)	\$ 223,920
Interest on Net OPEB Obligation	8,690
Adjustment to the ARC	<u>-8,194</u>
Annual OPEB Cost	\$ 224,416
Less: Contributions made (pay-as-you-go cost)	<u>-11,729</u>
Increase in net OPEB obligation	\$ 212,687
Net OPEB obligation - beginning of year	<u>195,497</u>
Net OPEB obligation - end of year	<u><u>\$ 408,184</u></u>

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*Funded Status and Funding Progress:* At June 30, 2011, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 1,816,336
Actuarial value of plan assets**	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,816,336</u>

\*\* GASB 45 requires that cash be placed in trust to be considered 'plan assets.' While the City has segregated \$100,000 in a separate fund, the fund does not qualify as a trust, so the segregated cash is not treated as a 'plan asset.'

Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 7,737,432
UAAL as a percentage of covered payroll	23.5%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2011, and the preceding year were as follows: (2009/10 was the first GASB-45 year)

Fiscal Year <u>Ended</u>	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$205,257	4.75%	\$ 195,497
6/30/11	\$224,416	5.22%	\$ 408,184

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for the benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

Normal Cost Method. The actuarial assumptions included a 4.5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5% including all inflation factors. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed that the City's payroll will increase 3.25% per year.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
6/30/10	\$ 0	\$1,617,429	\$1,617,429	0%	\$8,724,150	18.5%
6/30/11	0	1,816,336	1,816,336	0%	\$7,737,432	23.5%

As the City's OPEB benefits are administered by City personnel, no separate financial statements are issued.

**13 - Deferred Compensation Plan**

The City offers its employees two deferred compensation plans created in accordance with California Code Section 53212 and Internal Revenue Code Section 457 under which employees can defer a portion of their salary until future years. The deferred compensation plan money is a deduction from the employees' salary and is invested with independent retirement trustees. The trustees hold the amounts deferred and any related income on behalf of employees; therefore, the City does not report any deferred compensation in its financial statements.

**14 - Commitments and Contingencies**

Contingent Liabilities

The City receives funding from a number of federal, state and local grant programs, principally the Community Development Block Grants. These programs are subject to financial and compliance review by grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

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Notes to Financial Statements  
Year Ended June 30, 2011

On August 5, 2008, the Marina Redevelopment 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 31, 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 percent (10%) retention by the Agency; plus 100% net bond proceeds, if 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 100% net bond proceeds, if issued, that are supported by the LMIHF generated by The Dunes and Marina Heights Projects.

Payments to MCP began in FY 2008/09. For FY 2008/09 and 2009/10 a total of \$933,690 has been paid by the Agency to MCP pursuant to the Tax Increment Financing Plan and Agreement, and Promissory Note. Payments to MCP for FY 2010/11 totaled \$492,557.

Payments under these agreements are due strictly from tax increment received, and are not paid until tax increment is generated.

Future payments over the term of the agreement are projected to total approximately \$93 million based on a 2009 projection of tax increment to be generated by The Dunes and Marina Heights projects which incorporate 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, 2011.

#### Contingent Note Receivable and Payable

The City owns a \$265,000 promissory note receivable resulting from the sale of real estate on the former Fort Ord army base. The terms of the note provide that the note will be forgiven if the buyer meets certain affordable housing criteria during the term of this note, which matures in 2012. Given the likelihood that the buyer will meet the criteria, a note receivable has not been established on the City's books.

The City is required by State law to distribute one-half of proceeds received from the sale of real estate on the former Fort Ord Army base to the Fort Ord Reuse Authority (FORA). It is not clear if the City can forgive the one-half portion of the note due to FORA or will have to pay it to FORA.

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**15 - Risk Management**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases liability, property, errors and omissions, and workers' compensation insurance from the Monterey Bay Area Self Insurance Authority (MBASIA), a risk-sharing program. Under this program, coverage is provided for up to a maximum of \$20,000,000 for each general liability claim less the City's deductible of \$10,000. Statutory coverage is provided for workers' compensation claims.

The City is assessed a contribution to cover claims, operating costs and claim settlement expenses based upon an actuarially determined rate for each coverage layer pool. Additional cash contributions may be assessed on the basis of adverse loss experience. If the events of the year result in a negative risk position, the members' annual assessment may be increased in subsequent years. The City is unable to reasonably estimate the probability of MBASIA ending the year in a negative risk position. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study.

The City currently reports liability risk management activities in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Workers compensation insurance costs are allocated to various departments proportionate to their total payroll. For the year ended June 30, 2011, the City paid a total of \$706,776 to MBASIA for insurance coverage: \$117,182 and \$589,594 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

**16 - Rental Income**

The City receives rents from several properties including Abrams B Apartments and Preston Park. Abrams B Apartments are owned by the City through its component unit, the Abrams B Non-Profit Corporation. During the 10-11 fiscal year, Abrams B generated \$2,757,703 in rental income. The City also receives fees from the rents at Preston Park for managing the property as an agent for Fort Ord Reuse Authority, which owns the underlying property. During the 10-11 fiscal year, the City received \$1,519,998 in fees

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

from Preston Park.

### **17 - Recent Legislative Changes Affecting Redevelopment Agencies**

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, certain interagency receivables recognized by funds of the City that were previously loaned or advanced to the redevelopment agency may become uncollectible, resulting in a loss recognized by such funds. Additionally, reimbursements to be paid by the redevelopment agency to the City for shared administrative services might be reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by

CITY OF MARINA  
Notes to Financial Statements  
Year Ended June 30, 2011

August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 16, 2011, City Ordinance No. 2011-04 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Marina Redevelopment Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. As published by the California Department of Finance, the Agency's ABZ1 27 obligation for FY 11/12 and FY 12/13 is \$764,325 and \$243,535, respectively. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will likely have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF MARINA**

**Non-major Governmental Funds  
Combining Balance Sheet  
June 30, 2011**

	Special Revenue Funds						National Parks Recreation Services
	CDBG	GASB 45 OPEB	CDBG Housing	Technology Cluster	Streets	Special Projects	
<b>ASSETS</b>							
Cash and Investments	\$ 195,812	\$ 100,000	\$ 2,962	\$ 60,063	\$ -	\$ 266,011	\$ 769,701
Cash (Restricted)	148,406	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-
Accrued Receivables	59,576	-	4	9,344	-	-	1,691
Advances to Other Funds (Long Term)	-	-	-	-	-	-	-
Notes Receivable	417,542	-	76,500	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 821,336</b>	<b>\$ 100,000</b>	<b>\$ 79,466</b>	<b>\$ 69,407</b>	<b>\$ -</b>	<b>\$ 266,011</b>	<b>\$ 771,392</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 7,474	\$ -	\$ -	\$ 1,296	\$ 38,243	\$ -	\$ -
Accrued Payables	-	-	-	-	-	-	-
Due to Other Funds (Short Term)	-	-	-	-	31,419	-	-
Advances from Other Funds (Long Term)	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-
Deferred Revenue	417,542	-	76,500	12,175	-	-	1,800
<b>TOTAL LIABILITIES</b>	<b>\$ 425,016</b>	<b>\$ -</b>	<b>\$ 76,500</b>	<b>\$ 13,471</b>	<b>\$ 69,662</b>	<b>\$ -</b>	<b>\$ 1,800</b>
<b>FUND BALANCES</b>							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	396,320	-	2,966	55,936	-	266,011	769,592
Committed	-	100,000	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(69,662)	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 396,320</b>	<b>\$ 100,000</b>	<b>\$ 2,966</b>	<b>\$ 55,936</b>	<b>\$ (69,662)</b>	<b>\$ 266,011</b>	<b>\$ 769,592</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 821,336</b>	<b>\$ 100,000</b>	<b>\$ 79,466</b>	<b>\$ 69,407</b>	<b>\$ -</b>	<b>\$ 266,011</b>	<b>\$ 771,392</b>

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

**Special Revenue Funds**

<b>Abrams B Rent</b>	<b>PEG</b>	<b>Marina Woods Ass'm't District</b>	<b>Seabreeze Ass'm't District</b>	<b>Monterey Bay Estates Ass'm't District</b>	<b>Crescent Heights Ass'm't District</b>	<b>Cypress Cove II Ass'm't District</b>	<b>Eastridge Estates Ass'm't District</b>	<b>CFD 2007-2 Locke- Paddon</b>
\$ -	\$ 132,463	\$ 3,413	\$ 9,911	\$ 6,458	\$ -	\$ 13,770	\$ -	\$ 32,418
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	20,629	4	12	8	-	17	-	31
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 153,092</u>	<u>\$ 3,417</u>	<u>\$ 9,923</u>	<u>\$ 6,466</u>	<u>\$ -</u>	<u>\$ 13,787</u>	<u>\$ -</u>	<u>\$ 32,449</u>
\$ -	\$ -	\$ 85	\$ 240	\$ 273	\$ -	\$ 342	\$ -	\$ 223
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 240</u>	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ -</u>	<u>\$ 223</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3,332	9,683	6,193	-	13,445	-	32,226
-	153,092	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 153,092</u>	<u>\$ 3,332</u>	<u>\$ 9,683</u>	<u>\$ 6,193</u>	<u>\$ -</u>	<u>\$ 13,445</u>	<u>\$ -</u>	<u>\$ 32,226</u>
<u>\$ -</u>	<u>\$ 153,092</u>	<u>\$ 3,417</u>	<u>\$ 9,923</u>	<u>\$ 6,466</u>	<u>\$ -</u>	<u>\$ 13,787</u>	<u>\$ -</u>	<u>\$ 32,449</u>

(continued)

**CITY OF MARINA**

**Non-major Governmental Funds  
Combining Balance Sheet  
June 30, 2011**

	<b>Special Revenue Funds</b>			<b>Capital Projects</b>			
	Devel- opment Activity	Conveyance	<b>RDA</b>	Airport	Park Facilities	City Capital Projects	Library Construction
			Merged Housing				
<b>ASSETS</b>							
Cash and Investments	\$ -	\$ -	\$ 501,473	\$ -	\$ 35,824	\$ 1,283,136	\$ 398,041
Cash (Restricted)	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-
Accrued Receivables	54,969	-	304	79,258	-	262,263	-
Advances to Other Funds (L/T)	-	-	284,715	-	-	1,387,164	-
Notes Receivable	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 54,969</u>	<u>\$ -</u>	<u>\$ 786,492</u>	<u>\$ 79,258</u>	<u>\$ 35,824</u>	<u>\$ 2,932,563</u>	<u>\$ 398,041</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 60,399	\$ -	\$ 17,547	\$ 88,700	\$ -	\$ 19,459	\$ -
Accrued Payables	6,437	-	-	-	-	-	-
Due to Other Funds (S/T)	1,081,571	-	-	63,518	-	-	-
Advances-Other Funds (L/T)	50,000	-	-	-	-	75,000	-
Other Liabilities	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	1,387,164	-
<b>TOTAL LIABILITIES</b>	<u>\$ 1,198,407</u>	<u>\$ -</u>	<u>\$ 17,547</u>	<u>\$ 152,218</u>	<u>\$ -</u>	<u>\$ 1,481,623</u>	<u>\$ -</u>
<b>FUND BALANCES</b>							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	768,945	-	35,824	-	398,041
Committed	-	-	-	-	-	1,450,940	-
Assigned	-	-	-	-	-	-	-
Unassigned	(1,143,438)	-	-	(72,960)	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>\$ (1,143,438)</u>	<u>\$ -</u>	<u>\$ 768,945</u>	<u>\$ (72,960)</u>	<u>\$ 35,824</u>	<u>\$ 1,450,940</u>	<u>\$ 398,041</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 54,969</u>	<u>\$ -</u>	<u>\$ 786,492</u>	<u>\$ 79,258</u>	<u>\$ 35,824</u>	<u>\$ 2,932,563</u>	<u>\$ 398,041</u>

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

**Debt Service Funds**

Library Bonds	City General Obligation Bonds	Abrams B Bonds	Public Safety				Totals
			Airport Tax Allocation Bonds	Bldg Tax Allocation Bonds	Marina Landing Bonds	Marina Greens Bonds	
\$ 206,686	\$ 313,137	\$ -	\$ 19,136	\$ 138,132	\$ 366,596	\$ 203,391	\$ 5,058,534
-	-	98,116	-	-	1	-	246,523
-	-	-	13,419	-	-	-	13,419
189	334	-	-	-	380	213	489,226
-	-	13,104,998	-	-	-	-	14,776,877
-	-	-	-	-	-	-	494,042
<u>\$ 206,875</u>	<u>\$ 313,471</u>	<u>\$ 13,203,114</u>	<u>\$ 32,555</u>	<u>\$ 138,132</u>	<u>\$ 366,977</u>	<u>\$ 203,604</u>	<u>\$ 21,078,621</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280	\$ 490	\$ 235,051
-	-	-	-	-	-	-	6,437
-	-	-	-	-	-	-	1,176,508
-	-	-	-	-	-	-	125,000
-	-	-	-	-	-	-	-
-	-	13,104,998	-	-	-	-	15,000,179
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,104,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280</u>	<u>\$ 490</u>	<u>\$ 16,543,175</u>
\$ -	\$ -	\$ -	\$ 13,419	\$ -	\$ -	\$ -	\$ 13,419
206,875	313,471	98,116	19,136	138,132	366,697	203,114	4,104,055
-	-	-	-	-	-	-	1,704,032
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(1,286,060)
<u>\$ 206,875</u>	<u>\$ 313,471</u>	<u>\$ 98,116</u>	<u>\$ 32,555</u>	<u>\$ 138,132</u>	<u>\$ 366,697</u>	<u>\$ 203,114</u>	<u>\$ 4,535,446</u>
<u>\$ 206,875</u>	<u>\$ 313,471</u>	<u>\$ 13,203,114</u>	<u>\$ 32,555</u>	<u>\$ 138,132</u>	<u>\$ 366,977</u>	<u>\$ 203,604</u>	<u>\$ 21,078,621</u>

(concluded)

**CITY OF MARINA**  
**Non-major Governmental Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2011**

	Special Revenue Funds						
	GASB 45		CDBG		Technology		National
	OPEB	CDBG	Housing	Cluster	Streets	Projects	Parks Recreation Services
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 633,034	\$ -	\$ -
Investment Earnings	-	1,182	1,017	287	-	-	4,198
Charges for Services & Other Program Revenues	-	370,565	500	182,125	-	-	233,041
Other Revenue	-	-	-	-	297	-	-
Total Revenues	<u>\$ -</u>	<u>\$ 371,747</u>	<u>\$ 1,517</u>	<u>\$ 182,412</u>	<u>\$ 633,331</u>	<u>\$ -</u>	<u>\$ 237,239</u>
<b>EXPENDITURES</b>							
Public Works	\$ -	\$ -	\$ -	\$ -	\$ 604,438	\$ -	\$ -
Redevelopment	-	-	-	-	-	-	-
Economic & Community Development	-	350,169	-	182,792	-	-	-
Recreation & Cultural Services	-	-	-	-	-	-	13,810
Public Improvements	-	-	-	-	-	-	-
Debt Service - Principal Retirement	-	-	-	-	-	-	-
Debt Service - Interest & Fees	-	-	-	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ 350,169</u>	<u>\$ -</u>	<u>\$ 182,792</u>	<u>\$ 604,438</u>	<u>\$ -</u>	<u>\$ 13,810</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 21,578</u>	<u>\$ 1,517</u>	<u>\$ (380)</u>	<u>\$ 28,893</u>	<u>\$ -</u>	<u>\$ 223,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Interfund Transfers In	\$ 100,000	\$ 39,000	\$ -	\$ 59,000	\$ -	\$ -	\$ -
Interfund Transfers(Out)	-	-	(624,994)	(48,000)	(7,000)	-	(310,512)
Other	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 100,000</u>	<u>\$ 39,000</u>	<u>\$ (624,994)</u>	<u>\$ 11,000</u>	<u>\$ (7,000)</u>	<u>\$ -</u>	<u>\$ (310,512)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 100,000</u>	<u>\$ 60,578</u>	<u>\$ (623,477)</u>	<u>\$ 10,620</u>	<u>\$ 21,893</u>	<u>\$ -</u>	<u>\$ (87,083)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>335,742</u>	<u>626,443</u>	<u>45,316</u>	<u>(91,555)</u>	<u>266,011</u>	<u>856,676</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 100,000</u>	<u>\$ 396,320</u>	<u>\$ 2,966</u>	<u>\$ 55,936</u>	<u>\$ (69,662)</u>	<u>\$ 266,011</u>	<u>\$ 769,593</u>

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

**Special Revenue Funds**

Conveyance	Abrams B		Marina	Seabreeze	Monterey	Crescent	Cypress	Eastridge	CFD	Development
	Rent	PEG	Woods Ass'mt District	Ass'm't District	Bay Estates Ass'm't District	Heights Ass'm't District	Cove II Ass'm't District	Estates Ass'm't District	2007-2 Locke-Paddon	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	11	44	17	-	43	3	93	-
-	-	82,922	3,421	4,795	12,223	1,173	19,912	1,056	16,594	420,302
-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ 82,922	\$ 3,432	\$ 4,839	\$ 12,240	\$ 1,173	\$ 19,955	\$ 1,059	\$ 16,687	\$ 420,302
\$ -	\$ -	\$ -	\$ 1,827	\$ 3,079	\$ 4,704	\$ 2,692	\$ 8,626	\$ 2,598	\$ 2,556	\$ -
-	-	-	-	-	-	-	-	-	-	-
-	-	60,964	-	-	-	-	-	-	-	851,322
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ 60,964	\$ 1,827	\$ 3,079	\$ 4,704	\$ 2,692	\$ 8,626	\$ 2,598	\$ 2,556	\$ 851,322
\$ -	\$ -	\$ 21,958	\$ 1,605	\$ 1,760	\$ 7,536	\$ (1,519)	\$ 11,329	\$ (1,539)	\$ 14,131	\$ (431,020)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,160	\$ -	\$ 191	\$ -	\$ 260,329
(4,193,166)	(1,987,384)	-	(326)	(1,740)	(2,871)	(415)	(2,751)	(625)	-	(171,198)
-	-	-	-	-	-	-	-	-	-	-
\$ (4,193,166)	\$ (1,987,384)	\$ -	\$ (326)	\$ (1,740)	\$ (2,871)	\$ 8,745	\$ (2,751)	\$ (434)	\$ -	\$ 89,131
\$ (4,193,166)	\$ (1,987,384)	\$ 21,958	\$ 1,279	\$ 20	\$ 4,665	\$ 7,226	\$ 8,578	\$ (1,973)	\$ 14,131	\$ (341,889)
4,193,166	1,987,384	131,134	2,053	9,663	1,528	(7,226)	4,867	1,973	18,095	(801,549)
\$ -	\$ -	\$ 153,092	\$ 3,332	\$ 9,683	\$ 6,193	\$ -	\$ 13,445	\$ -	\$ 32,226	\$ (1,143,438)

(continued)

**CITY OF MARINA**

**Non-major Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2011**

	Special Revenue Funds		Capital Projects Funds			
	Redevelopment Agency					
	Merged Housing		Airport	Park Facilities	City Capital Projects	Library Construction
<b>REVENUES</b>						
Taxes	\$ -		\$ -	\$ -	\$ -	\$ -
Investment Earnings	1,198		-	-	-	826
Charges for Services & Other Program Revenues	27,962		1,635,109	-	785,845	-
Other Revenue	-		513	-	429,450	-
	<u>\$ 29,160</u>		<u>\$ 1,635,622</u>	<u>\$ -</u>	<u>\$ 1,215,295</u>	<u>\$ 826</u>
<b>EXPENDITURES</b>						
Public Works	\$ -		\$ -	\$ -	\$ -	\$ -
Redevelopment	477,532		-	-	-	-
Economic & Community Development	-		-	-	-	-
Recreation & Cultural Services	-		-	-	-	-
Public Improvements	-		1,712,985	-	1,428,177	-
Debt Service - Principal Retirement	-		-	-	-	-
Debt Service - Interest & Fees	-		-	-	-	-
	<u>\$ 477,532</u>		<u>\$ 1,712,985</u>	<u>\$ -</u>	<u>\$ 1,428,177</u>	<u>\$ -</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (448,372)</u>		<u>\$ (77,363)</u>	<u>\$ -</u>	<u>\$ (212,882)</u>	<u>\$ 826</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund Transfers In	\$ 910,142		\$ 122,081	\$ -	\$ 1,321,027	\$ -
Interfund Transfers(Out)	(182,862)		-	(264,208)	(1,040,696)	-
Other	-		-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 727,280</u>		<u>\$ 122,081</u>	<u>\$ (264,208)</u>	<u>\$ 280,331</u>	<u>\$ -</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 278,908</u>		<u>\$ 44,718</u>	<u>\$ (264,208)</u>	<u>\$ 67,449</u>	<u>\$ 826</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	490,037		(117,678)	300,032	1,383,491	397,215
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 768,945</u>		<u>\$ (72,960)</u>	<u>\$ 35,824</u>	<u>\$ 1,450,940</u>	<u>\$ 398,041</u>

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

**Debt Service Funds**

Library Bonds	City General Obligation Bonds	Abrams B Bonds	Airport Tax Allocation Bonds	Public Safety		Marina Landing Bonds	Marina Greens Bonds	Totals
				Bldg Tax Allocation Bonds				
\$ 395,510	\$ 63,859	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,092,403
353	1,226	13	43	560	1,200	718		13,032
-	-	823,085	-	-	204,809	90,755		4,916,195
-	-	-	-	-	-	-		430,260
<u>\$ 395,863</u>	<u>\$ 65,085</u>	<u>\$ 823,098</u>	<u>\$ 43</u>	<u>\$ 560</u>	<u>\$ 206,009</u>	<u>\$ 91,473</u>		<u>\$ 6,451,890</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 630,521
-	-	-	-	-	-	-	-	477,532
-	-	-	-	-	-	-	-	1,445,248
-	-	-	-	-	-	-	-	13,810
-	-	-	-	-	-	-	-	3,141,161
10,000	35,000	300,000	15,000	130,000	160,000	60,000		710,000
<u>380,573</u>	<u>26,901</u>	<u>519,184</u>	<u>27,550</u>	<u>8,800</u>	<u>38,097</u>	<u>26,020</u>		<u>1,027,124</u>
<u>\$ 390,573</u>	<u>\$ 61,901</u>	<u>\$ 819,184</u>	<u>\$ 42,550</u>	<u>\$ 138,800</u>	<u>\$ 198,097</u>	<u>\$ 86,020</u>		<u>\$ 7,445,396</u>
\$ 5,290	\$ 3,184	\$ 3,914	\$ (42,507)	\$ (138,240)	\$ 7,912	\$ 5,453		\$ (993,506)
\$ -	\$ -	\$ -	\$ 42,550	\$ 5,825	\$ -	\$ -	\$ -	\$ 2,869,304
(2,535)	(1,157)	-	(459)	-	(2,389)	(1,181)		(8,846,468)
-	-	-	-	-	-	-		-
<u>\$ (2,535)</u>	<u>\$ (1,157)</u>	<u>\$ -</u>	<u>\$ 42,091</u>	<u>\$ 5,825</u>	<u>\$ (2,389)</u>	<u>\$ (1,181)</u>		<u>\$ (5,977,164)</u>
\$ 2,755	\$ 2,027	\$ 3,914	\$ (415)	\$ (132,415)	\$ 5,523	\$ 4,272		\$ (6,970,670)
204,120	311,444	94,202	32,970	270,547	361,174	198,842		11,506,116
<u>\$ 206,875</u>	<u>\$ 313,471</u>	<u>\$ 98,116</u>	<u>\$ 32,555</u>	<u>\$ 138,132</u>	<u>\$ 366,697</u>	<u>\$ 203,114</u>		<u>\$ 4,535,446</u>

(concluded)

END