Marina Redevelopment Agency

Basic Financial Statements

Fiscal Year Ended June 30, 2011

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ROSEVILLE OFFICE

2901 Douglas Boulevard, Suite 290

Roseville, CA 95661

TEL 916 774-4208

FAX 916 774-4230

MANN URRUTIA NELSON CPAs & ASSOCIATES LLP

SACRAMENTO OFFICE

2515 Venture Oaks Way, Suite 135

Sacramento, CA 95833

TEL 916 929-0540

FAX 916 929-0541

INDEPENDENT AUDITOR'S REPORT

To the Agency Board of Directors
City of Marina Redevelopment Agency
Marina, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redevelopment Agency of the City of Marina (the Agency), a component unit of the City of Marina, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Marina, as of June 30, 2011, and the respective changes in financial position, thereof, and the respective budgetary comparison statements for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in note 9, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011, on our consideration of the Agency'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 information on pages 3 through 8 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 Agency'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.

Mann Urrutia Nelson CPA

Mann, Urrutia, Nelson CPAs
Sacramento, California
October 21, 2011

CITY OF MARINA
211 Hillcrest Avenue
Marina, CA 93933
831-884-1274; FAX 831-384-0473
www.ci.marina.ca.us

September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Marina Redevelopment Agency annual financial report presents management's discussion and analysis of the Agency's finances during the fiscal year ended June 30, 2011. As a compot unit of the City of Marina, the Agency's financial statements are presented as an integral part of the City of Marina's financial statements. In addition, the Agency's discrete financial statements are presented below.

FINANCIAL HIGHLIGHTS

- The Agency's total net assets at June 30, 2011 were $1,760,299, an increase of $346,629 from the previous year.
- During previous years, the Agency borrowed $337,000 from the City of Marina, comprising cash-flow loans of $187,000 and $150,000, to finance North and West University Villages Outreach and 2nd Avenue telecommunications conduit positioning, respectively. Principal payments during prior years, and during the current fiscal year of $51,160, have reduced interfund principal debt on these obligations at June 30, 2011 to $145,655. During 2006/07, additional loans totaling $1,133,514 were advanced from the City to the Agency to enable redevelopment projects whose cash receipts lag behind related costs. During FY 09/10 $1,000,000 of these loans was repaid, leaving $133,514 still outstanding at June 30, 2011. The remaining loans will be repaid as cash flows and management plans permit.
- The Agency incurred no new long-term debt during 2010/2011, and reduced pre-existing long-term bonded debt principal by $145,000.

Like many other local jurisdictions, in response to the State's plan late last year to shore up its budget by dissolving redevelopment agencies and diverting their resources to the State, on January 25, 2011, the City and MRA passed joint resolutions 2011-04 (MRA) and 2011-17 (City) approving a Public Improvements Grant and Cooperation Agreement. Under the agreement, the Agency granted to the City all funds not held in the housing fund and that hadn't previously been appropriated, as well as all future tax increment revenues remaining after making debt service and pass-through payments and paying administrative expenses. Resources transferred from the Agency to the City are termed 'Pledged Funds' and are estimated to eventually total about $216 million. The terms of the grant did not give rise to a 6/30/11 liability, and no transfers were made during FY 10-11. Pursuant to the grant, the City shall carry out the agency's public improvement plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

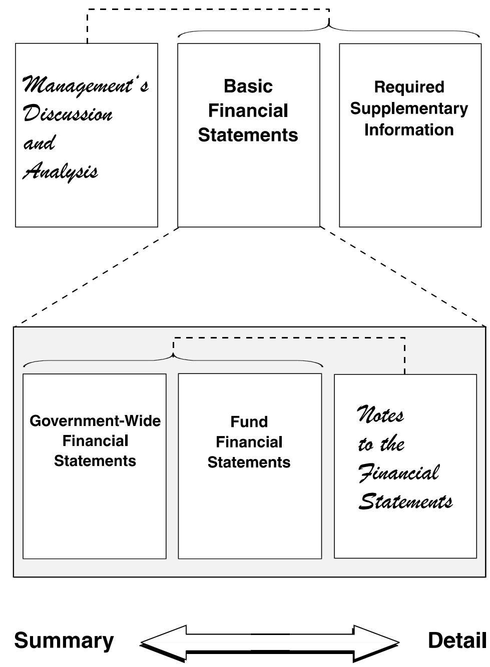
This annual report consists of three parts - management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include three components:

- First are two government-wide financial statements that provide both long-term and short-term information about the Agency's overall financial status.

- The remaining statements are fund financial statements, focusing on individual parts of the Agency, that report the Agency's operations in more detail than the government-wide statements. The fund statements tell how government services were financed in the short term as well as what remains for future spending.

- The notes to financial statements explain and expand on the information contained in the government-wide and fund financial statements.

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



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

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

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

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's net assets of $1,413,670 and $1,760,299 at June 30, 2010 and 2011, respectively, and changes in net assets during those fiscal years, are detailed in the following schedules.

NET ASSETS

	June 30, 2010	June 30, 2011
ASSETS		
Current Assets		
Cash	$ 2,488,801	$ 2,650,856
Accrued Receivables	2,515	27,842
Prepaid Expense	13,775	13,419
Capital Assets (Land)	900,000	900,000
Total Assets	$ 3,405,091	$ 3,592,117
LIABILITIES		
Current Liabilities		
Accrued Payables	$ 335,024	$ 121,332
Pass-throughs & Deposits	481,068	731,317
Total current liabilities	$ 816,092	$ 852,649
Advances from City of Marina	330,329	279,169
Bonds Payable	845,000	700,000
Total Liabilities	$ 1,991,421	$ 1,831,818
Net Assets	$ 1,413,670	$ 1,760,299

CHANGES IN NET ASSETS
Fiscal Year Ended

	June 30, 2010	June 30, 2011
REVENUES		
Property Tax Increment	$ 3,230,674	$ 3,965,506
Less Pass-through & ERAF Pmts	(2,091,014)	(2,042,921)
Net Taxes	$ 1,139,660	$ 1,922,585
Sale of Assets	-	1,200,000
Charges for Services & Rents	43,884	117,731
Investment Earnings	16,131	10,070
Transfers from City of Marina	65,100	297,939
Other	38,279	18,438
Net Revenues	$ 1,303,054	$ 3,566,763
EXPENDITURES		
Program Expenditures*		
Redevelopment Planning, Housing,		
Debt Service & Administration	$ 1,794,583	$ 1,642,475
Revenues Over(Under) Exp	$ (491,529)	$ 1,924,288
Transfers To City of Marina	(352,672)	(1,577,659)
Incr(decr) in Net Assets	$ (844,201)	$ 346,629
Net Assets - Beginning	2,257,871	1,413,670
Net Assets - Ending	$ 1,413,670	$ 1,760,299

* Net assets measurement excludes transfers between Agency funds and debt principal repayment.

BUDGET HIGHLIGHTS

- *On-going revenues*. Property Tax Increment increased by $734,832 - about 23% - from the previous year. Most of this increase resulted primarily from cumulative adjustments calculated by Keyser Marston Associates, consultants engaged by the Agency, and agreed to by the County of Monterey, and is not expected to recur in future years. Related pass-through and ERAF payments (contractual and statutory tax increment payments to other taxing agencies) remained substantially unchanged from the previous year. Investment earnings continued to decline due to diminished rates of return on cash balances held in the California Local Agency Investment Fund (LAIF).

- *Expenditures*. Redevelopment Expenditures vary from year to year as development activity and related project costs fluctuate; however, on-going expenditures, except for transfers to the City, did not materially vary from the prior year or from the budgets adopted for the current year. Transfers to the City of Marina increased from the previous year due to transfer of proceeds from the sale of a parcel of land obtained from the U.S. Army to Salinas Valley Memorial

Hospital. The Agency's $1.2 million share of sale proceeds was transferred to the City pursuant to a 2006 Assignment and Assumption Agreement approved by the Agency and City in Resolutions 2006-39 and 2006-220, respectively.

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

AGENCY-WIDE BUDGET CHANGES & ACTUAL-BUDGET COMPARISON

	Original Budget	Board-Approved Changes	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Taxes	$ 3,142,000	$ 701,406	$ 3,843,406	$3,965,506	$ 122,100
Chrg for Svcs/Rents	43,000	99,420	142,420	117,731	(24,689)
Sale of Assets	100,000	1,100,000	1,200,000	1,200,000	-
Grants	35,000	-	35,000	-	(35,000)
Investment Earnings	11,000	(2,000)	9,000	10,070	1,070
Interfund Transfers	766,800	269,052	1,035,852	915,967	(119,885)
Transfers from City	93,550	204,389	297,939	297,939	-
Other	30,000	17,450	47,450	18,437	(29,012)
Total Revenues	$ 4,221,350	$ 2,389,717	$ 6,611,067	$6,525,650	$ (85,416)
EXPENDITURES					
Admin & Planning	$ 2,188,516	$ 342,704	$ 1,845,812	$ 1,608,864	$ 236,947
Debt Service	180,550	(800)	181,350	181,350	-
Interfund Transfers	766,000	(269,852)	1,035,852	915,967	119,885
Transfers to City	238,521	(1,304,096)	1,542,617	1,577,659	(35,042)
Pass-Throughs	1,666,000	(259,804)	1,925,804	2,042,921	(117,117)
Total Expenditures	$ 5,039,587	$ (1,491,848)	$ 6,531,435	$ 6,326,761	$ 204,673
Revenues Over(Under) Expenditures & Interfund Transfers	$ (818,237)	$ 897,869	$ 79,632	$ 198,889	$ 119,257

DEBT ADMINISTRATION

At June 30, 2011, the Agency had $700,000 in bonds outstanding, consisting of the following issues:

2000 Tax Allocation Series A Bonds (Airport Improvement)	$ 565,000
2002 Public Safety Building Refinancing Issue	135,000
Total Bond Principal Outstanding June 30, 2011	$ 700,000

Principal payments during 2010-11 reduced the Agency’s outstanding long-term debt by $145,000, from $845,000 to $700,000. More detailed debt information is presented in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Various economic and fiscal indicators were considered and assumptions made when adopting the 2011/12 budget with respect to redevelopment projects, which are difficult to estimate in advance due to the influence of outside forces beyond the Agency's control. Due to various national, state and local economic factors which are not reasonably predictable, property tax revenues are not expected to change significantly for 2011/12.

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. 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. If, during 2011/12 it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the Agency Board will adopt necessary budget amendments. See Note 9 in the Agency's Notes to Financial Statements for a comprehensive discussion of this matter.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MARINA REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities
ASSETS		
Cash and Investments	$	2,493,589
Cash (Restricted)		157,267
Accrued Receivables		27,842
Prepaid Expenses		13,419
Capital Assets - Land		900,000
Total Assets	$	3,592,117
LIABILITIES ACCRUED		
Accounts, Payroll & Interest Payable	$	121,332
Tax Increment Payable		726,317
Lease Deposits		5,000
Due to City of Marina		279,169
Long-term Liabilities:		
Bonds Payable:		
Due in Less Than One Year		150,000
Due in More Than One Year		550,000
Total Liabilities	$	1,831,818
NET ASSETS		
Invested in Capital Assets	$	900,000
Unrestricted		860,299
Total Net Assets	$	1,760,299

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

MARINA REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Operating Expenses	Program Revenues Charges for Services	Net (Expense) Revenue & Changes in Net Assets
Redevelopment Activity			
Merged Project Areas Operating	4,569,051	$ 363,522	$ (4,205,529)
Merged Project Areas Housing	660,394	27,962	(632,432)
Interest on Long-term Debt	36,350	45,893	9,543
Total Redevelopment Activity	$ 5,265,795	$ 437,377	$ (4,828,418)
General Revenues			
Property Tax Revenues			$ 3,965,506
Property Sales			1,200,000
Other			73
Investment Earnings			9,468
Total General Revenues			$ 5,175,047
Change in Net Assets - Operations			$ 346,629
Net Assets, Beginning of Year			1,413,670
Net Assets, End of Year			$ 1,760,299

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

MARINA REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Major Funds			Total
	Operating Fund 51	Housing Fund 52	Non-Major Funds	Governmental Funds
ASSETS				
Cash and Investments	$ 1,992,116	$ 501,473	$ -	$ 2,493,589
Cash (Restricted)	-	-	157,267	157,267
Accrued Receivable	27,538	304	-	27,842
Prepaid Expenditures	-	-	13,419	13,419
Advances to Other Funds	-	284,715	-	284,715
Total Assets	$ 2,019,654	$ 786,492	$ 170,686	$ 2,976,832
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 87,891	$ 17,547	$ -	$ 105,438
Accrued Payroll and Benefits	-	-	-	-
Lease Deposits	5,000	-	-	5,000
Pass-through Obligations	726,317	-	-	726,317
Due to City of Marina	279,169	-	-	279,169
Advances from Other Funds	284,715	-	-	284,715
Total Liabilities	$ 1,383,092	$ 17,547	$ -	$ 1,400,639
Fund Balances				
Nonspendable - Prepaid Expenses	$ -	$ -	$ 13,419	$ 13,419
Restricted for Low & Moderate Income Housing	-	768,945	-	768,945
Restricted for Debt Service	-	-	157,267	157,267
Assigned	636,562	-	-	636,562
Total Fund Balances	$ 636,562	$ 768,945	$ 170,686	$ 1,576,193
Total Liabilities and Fund Balances	$ 2,019,654	$ 786,492	$ 170,686	$ 2,976,832

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

MARINA REDEVELOPMENT AGENCY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances - Governmental Funds	$	1,576,193
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets are not recorded in the Governmental Funds		900,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.		
2000 Tax Allocation Bonds		(565,000)
2002 Tax Allocation Bonds		(135,000)
Accrued interest on long-term debt is not reported in the Governmental Funds		(15,894)
Net Assets of Governmental Activities	$	1,760,299

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

MARINA REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Operating Fund 51	Housing Fund 52	Non-Major Funds	Total Governmental Funds
Revenues				
Property Tax Increment	$ 3,965,506	$ -	$ -	$ 3,965,506
Charges for Services	108,133	27,962	-	136,095
Investment Earnings	8,269	1,198	603	10,070
Other	73	-	-	73
Total Revenues	$ 4,081,981	$ 29,160	$ 603	$ 4,111,744
Expenditures				
Redevelopment Planning & Administration	$ 1,157,884	$ 450,980	$ -	$ 1,608,864
Debt Service - Principal	-	-	145,000	145,000
Debt Service - Interest & Fees	-	-	36,350	36,350
Tax Increment Pass-throughs	2,016,369	26,552	-	2,042,921
Total Expenditures	$ 3,174,253	$ 477,532	$ 181,350	$ 3,833,135
Revenues Over (Under) Expenditures	$ 907,728	$ (448,372)	$ (180,747)	$ 278,609
Other Financing Sources (Uses)				
Sale of Assets	$ 1,200,000	$ -	$ -	$ 1,200,000
Transfers In- Agency Funds	-	910,142	5,825	915,967
Transfers In - City Funds	255,389	-	42,550	297,939
Transfers (Out) - Agency Funds	(915,967)	-	-	(915,967)
Transfers (Out) - City Funds	(1,394,338)	(182,862)	(459)	(1,577,659)
Total Other Financing Sources (Uses)	$ (854,916)	$ 727,280	$ 47,916	$ (79,720)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	$ 52,812	$ 278,908	$ (132,831)	$ 198,889
Fund Balances, Beginning of Year	583,750	490,037	303,517	1,377,304
Fund Balances, End of Year	$ 636,562	$ 768,945	$ 170,686	$ 1,576,193

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

MARINA REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$	198,889
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Repayment of 2000 Tax Allocation Bonds		15,000
Repayment of 2002 Tax Allocation Bonds		130,000
Reduction of accrued bond interest payable is not reported as an expenditure in the governmental, but decreases liabilities in the statement of net assets		2,740
Change in Net Assets of Governmental Activities	$	346,629

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

MARINA REDEVELOPMENT AGENCY

STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Merged Operating Fund 51			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenue				
Property Tax Increment	$ 3,172,000	$ 3,872,406	$ 3,965,506	$ 93,100
Investment Earnings	8,500	8,000	8,269	269
Grants	35,000	35,000	-	(35,000)
Sale of Assets	100,000	1,200,000	1,200,000	-
Rent Income	43,000	31,200	31,504	304
Fee Agreements	-	83,220	58,265	(24,955)
Other	-	18,450	18,437	(13)
Total Revenue	$ 3,358,500	$ 5,248,276	$ 5,281,981	$ 33,705
Expenditures				
Redevelopment Planning & Administration	$ 1,635,396	$ 1,383,882	$ 1,157,884	$ 225,998
Tax Increment Pass-throughs	1,657,000	1,899,782	2,016,369	(116,587)
Total Expenditures	$ 3,292,396	$ 3,283,664	$ 3,174,253	$ 109,411
Revenues Over (Under) Expenditures	$ 66,104	$ 1,964,612	$ 2,107,728	$ 143,116
Other Financing Sources (Uses)				
Transfers In - City Funds	51,000	255,389	255,389	-
Transfers (Out) - City Funds	(55,200)	(1,359,296)	(1,394,338)	(35,042)
Transfers In(Out) - Agency Funds	(766,800)	(1,035,852)	(915,967)	119,885
Total Other Financing Sources(Uses)	$ (771,000)	$ (2,139,759)	$ (2,054,916)	$ 84,843
Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	$ (704,896)	$ (175,147)	$ 52,812	$ 227,959
Fund Balance, Beginning of Year	917,174	917,174	583,750	(333,424)
Fund Balance, End of Year	$ 212,278	$ 742,027	$ 636,562	$ (105,465)

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

Merged Housing Fund 52			
Original Budget	Final Budget	Actual	Variance Positive (Negative)
$ -	$ -	$ -	$ -
2,500	1,000	1,198	198
-	-	-	-
-	-	-	-
-	-	-	-
-	28,000	27,962	(38)
-	-	-	-
$ 2,500	$ 29,000	$ 29,160	$ 160
$ 552,320	$ 461,930	$ 450,980	$ 10,950
9,000	26,022	26,552	(530)
$ 561,320	$ 487,952	$ 477,532	$ 10,420
$ (558,820)	$ (458,952)	$ (448,372)	$ 10,580
-	-	-	-
(182,862)	(182,862)	(182,862)	-
628,000	897,052	910,142	13,090
$ 445,138	$ 714,190	$ 727,280	$ 13,090
$ (113,682)	$ 255,238	$ 278,908	$ 23,670
117,049	117,049	490,037	372,988
$ 3,367	$ 372,287	$ 768,945	$ 396,658

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

1 - The Reporting Entity

The Marina Redevelopment Agency is a separate legal entity subject to oversight by the Marina City Council which also sits as the Agency's Board of Directors. As the primary governing unit of the Agency, the Council exercises significant financial and management control over the Agency. Therefore, the Agency is a component unit of the City of Marina. In addition to presenting these financial statements, the Agency's financial data is blended with the City’s annual financial report for the fiscal year ended June 30, 2011.

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

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

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

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

2 - Significant Accounting Policies

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

Basis of Presentation

Government-wide and Fund Financial Statements

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

Fund Financial Statements provide information about the Agency's funds excluding capital assets and long-term debt. Each major fund appears in a separate column; non-major funds are combined in a single column. (see Fund Accounting following)

Fund Accounting

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

Special Revenue Funds account for resources that are restricted for specified purposes. These funds account for both on-going redevelopment operations and for low and moderate income housing activity. Both the Merged Operating Fund and the Merged Housing Fund are accounted for as Special Revenue Funds.

Debt Service Funds account for resources that are accumulated for payment of general long-term debt principal, interest, and related costs. The Agency employs two Debt Service Funds: the Neeson Road Tax Allocation Bonds Debt Service Fund; and the Public Safety Building Bonds Debt Service Fund.

Major Funds: Generally Accepted Accounting Principles require that fund financial statements disclose each major fund separately, and that all non-major funds be aggregated. A major fund is one whose assets, revenues, liabilities, revenues and/or expenditures exceed ten percent (10%) of the Agency's total for that category. The Merged Operating Fund and the Merged Housing Fund are reported as major funds. The Merged Operating Fund accounts for all redevelopment activity that is not required by law or bond covenants to be segregated for low-and-moderate-income-housing purposes or debt service purposes. The merged housing fund accounts for the legally-mandated set-aside of 20% of the gross tax increment for purpose of improving or expanding the Agency's supply of low and moderate income housing.

Measurement Focus and Basis of Accounting

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

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

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

Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year they are levied.

Grants and similar items are recognized as revenue when eligibility requirements are satisfied, irrespective of when the cash might be received.

Budgetary Accounting

The Board adopts an annual budget, effective each July 1, for all Agency funds, which may be amended during the year as set forth in the adoption resolutions. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. For control purposes, the budget is integrated into the accounting system. Encumbrance accounting is used as an additional control measure, and appropriations lapse at year-end. (See also Note 7)

Capital Assets and Long -Term Debt

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

Net Assets and Fund Balance

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

In the Statement of Net Assets, net assets are classified into three categories; 'Invested in Capital Assets;' 'Restricted' or 'Unrestricted.' 'Invested in Capital Assets' reflects the Agency's investment in capital assets, all of which are unencumbered by debt. 'Restricted' net assets must be spent in accordance with externally-imposed legal or contractual restrictions. Since California Redevelopment Law restricts all redevelopment resources to general redevelopment, qualified redevelopment housing, or debt service, assets that are restricted to a purpose no more limited than the fund in which they are contained are not shown as restricted because the fund itself is restricted. 'Unrestricted' net assets represent resources that may be used at the discretion of the governing board to meet current expenses for any lawful redevelopment purpose within the fund in which those resources are contained. By this definition, the Agency has no restricted assets at June 30, 2011.

Fund Balance Classifications

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 encouraged. Accordingly, the Agency 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 cash held by the 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 Agency's highest level of decision-making authority, such as: Board-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 Board 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 Agency Board itself, or by the Executive Director (City Manager) and/or the Finance Director if authorized by Board action. For example, the Board may delegate authority for making certain budget modifications or setting aside resources for anticipated projects and programs. Since the Agency reports no general fund, all positive residual fund balances are 'Assigned' by action of GASB-54 definitions rather than constraints imposed by either the Board or delegated official.

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

GASB believes 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.

Pursuant to GASB 54 definitions, the Agency's total governmental fund balance of $1,576,193 at June 30, 2011 was classified as follows:

Nonspendable Prepaid Expenses	$ 13,419
Restricted for Low & Moderate Income Housing	768,945
Restricted for Debt Service	157,267
Assigned	636,562
Total Fund Balances	$1,576,193

Tax Increment

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

Use of Estimates

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

3 - Interfund Transactions and Internal Activity Eliminations

Interfund Transactions

Advances To/From other funds of $284,715 on the Governmental Funds Balance Sheet resulted from a loan from the housing fund to the operating fund for the purpose of financing of the Agency's FY 09-10 Supplemental Educational Revenue Augmentation Fund contribution as approved by Agency Board Resolution 2010-11 on April 20, 2010. Pursuant to state law, this loan must be repaid no later than June 30, 2015. Interfund Transfers In/Out on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance represent movement of resources between funds, including tax-increment transfers from the operating fund to the debt service fund of $5,825 as required by bond covenants, and to the housing fund as required by set-aside laws of $910,142.

Internal Activity Eliminations

Generally Accepted Accounting Principles require that the effects of interfund activity be eliminated from government-wide financial statements. At June 30, 2011 the Agency reported certain obligations to City of Marina funds and, as mentioned above, one interfund receivable/payable between Agency funds. In addition, for the year ended June 30, 2011, the Agency reported inter-agency transfers between/among Agency and City of Marina funds as well as interfund transfers between Agency funds. For financial reporting purposes, the Agency discloses all interfund balances and activity in the fund financial statements, in amounts shown above, but eliminates activity between Agency-only funds, while fully disclosing activity between Agency funds and City of Marina funds in the government-wide statement of activities.

4 - Cash and Investments

Total Agency cash at June 30, 2011, was $2,650,856. The Agency pools cash of all funds with the City of Marina. Depository accounts, with the exception of the Local Agency Investment Fund (LAIF) account which is held in the Agency's separate name, are held in the name of the City of Marina. Interest earned on pooled cash is allocated periodically to the various funds based on average balances. Earnings on cash held by fiscal agents are credited to the related fund.

Cash Defined

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

Cash Deposits

The California Government Code requires financial institutions to secure deposits made by state or local governmental agencies by pledging securities in an undivided collateral pool held by a depository regulated under state law, unless waived by the government agency. No waiver has been issued. Market value of pledged collateral pool securities must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All deposits held by financial institutions comply with state law.

Investments Authorized by the City and Agency's Investment Policy

The City and Agency's Investment Policy and Management Plan restricts individual deposits to financial institutions maintaining offices within the City of Marina. Further, unless collateralized as provided in Government Code Sections 53651 & 53652, the maximum amount of Certificates of Deposit that can be placed with any single institution is $100,000. At June 30, 2011, all deposits were placed with Rabobank in Marina, and there were no certificates of deposit.

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

While the investment policy identifies safety of principal as the foremost objective of the investment program and states that the 'City shall seek to preserve principal by mitigating...credit risk and market risk... .' it contains no specific provisions intended to limit exposure to interest rate risk or concentration of credit risk aside from those contained in the aforementioned Government Code sections. *Interest rate risk* is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. *Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. *Concentration of credit risk* recognizes that additional risk attaches to a disproportionately large proportion of an investment portfolio placed with a single institution. The investment policy limits investments with a single institution (exclusive of government agencies such as LAIF) to no more than 25% of the portfolio. During 2010-11, no investments were placed with any one issuer that exceeded 25% of the total portfolio.

The investment policy assigns authority and responsibility to manage the investment portfolio to the Finance Director. Pursuant to such authority, during fiscal year 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. Deposits in this pool are reported in the financial statements at cost. As stated previously, the Agency's share of the pooled cash at June 30, 2011, was $2,650,856 including restricted cash of $157,267 and the Agency's LAIF account of $1,823,511.

5 - Capital Assets

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

6 - Long-Term Debt

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

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

Balance due $ 565,000

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

Balance due $ 135,000

Changes in Long-Term Debt, FY '10/11	Tax Allocation Bonds 2000	Tax Allocation Bonds 2002
Beginning Balance	$ 580,000	$ 265,000
Principal Retirement	(15,000)	(130,000)
Balance June 30, 2011	$ 565,000	$ 135,000

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

Year Ending June 30,	2000 Tax Alloc Bonds	2002 Tax Alloc Bonds
2012	$ 41,838	137,970
2013	46,125	-
2014	45,175	-
2015	44,225	-
2016	43,275	
2017-2021	220,700	-
2022-2026	223,875	-
2027-2031	223,975	-
Subtotal	889,188	137,970
Less interest	(324,188)	(2,970)
Principal Balance	565,000	135,000
Less current portion	(15,000)	(135,000)
Long-term portion	$ 550,000	$ -

7 - Budgetary Compliance

Expenditure Control - Operationally, Agency expenditures are managed at the line-item level but controls are established by the Agency Board at the total fund level. Further, Pursuant to Board Resolution No. 2009-101, the Finance Director must adjust the final budget to reflect post year-end adjustments to revenues, expenditures and carryover items to avoid '...inadvertent budget variances.' Therefore, budget-to-actual schedules might show overexpenditures for individual line-items but no funds' total expenditures exceeded the total budget, as adjusted, for the 2010-11 fiscal year. Accordingly, the Agency was in compliance with all budgetary controls.

8 - Contingent Liability

On August 5, 2008, the Agency entered into a Tax Increment Financing Plan and Agreement with, and executed a promissory Note payable to, Marina Community Partners, LLC (MCP) pursuant to and in implementation of a Disposition and Development Agreement dated May 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.

9 - 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 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 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.

SUPPLEMENTARY INFORMATION

MARINA REDEVELOPMENT AGENCY

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

	Debt Service Fund 74	Debt Service Fund 73	Totals
ASSETS			
Cash (Restricted)	$ 138,132	$ 19,135	$ 157,267
Accrued Receivables	-	-	-
Prepaid Expenditures	-	13,419	13,419
TOTAL ASSETS	$ 138,132	$ 32,554	$ 170,686
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ -	$ -	$ -
Accrued Payables	-	-	-
Lease Deposits	-	-	-
Due to City of Marina	-	-	-
TOTAL LIABILITIES	$ -	$ -	$ -
FUND BALANCES			
Nonspendable - Prepaid Expenses	$ -	$ 13,419	$ 13,419
Restricted for Debt Service	138,132	19,135	157,267
Assigned	-	-	-
Total Fund Balances	$ 138,132	$ 32,554	$ 170,686
TOTAL LIABILITIES AND FUND BALANCES	$ 138,132	$ 32,554	$ 170,686

MARINA REDEVELOPMENT AGENCY

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

	Debt Service Fund 74	Debt Service Fund 73	Totals
REVENUES			
Taxes	$ -	$ -	$ -
Charges for Services/Program Revenues	-	-	-
Investment Earnings	560	43	603
Other	-	-	-
Total Revenues	$ 560	$ 43	$ 603
EXPENDITURES			
Redevelopment Planning & Administration	$ -	$ -	$ -
Debt Service - Principal Retirement	130,000	15,000	145,000
Debt Service - Interest & Fees	8,800	27,550	36,350
Tax Increment Pass-throughs	-	-	-
Total Expenditures	$ 138,800	$ 42,550	$ 181,350
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (138,240)	$ (42,507)	$ (180,747)
OTHER FINANCING SOURCES (USES)			
Transfers In- Agency Funds	$ 5,825	$ -	$ 5,825
Transfers In - City Funds	-	42,550	42,550
Transfers (Out) - Agency Funds	-	-	-
Transfers (Out) - City funds	-	(459)	(459)
Total Other Financing Sources (Uses)	$ 5,825	$ 42,091	$ 47,916
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (132,415)	$ (416)	$ (132,831)
FUND BALANCES - BEGINNING OF YEAR	270,547	32,970	303,517
FUND BALANCES - END OF YEAR	$ 138,132	$ 32,554	$ 170,686

ROSEVILLE OFFICE

2901 Douglas Boulevard, Suite 290

Roseville, CA 95661

TEL 916 774-4208

FAX 916 774-4230

MANN
URRUTIA
NELSON
CPAs
&
ASSOCIATES
LLP

SACRAMENTO OFFICE

2515 Venture Oaks Way, Suite 135

Sacramento, CA 95833

TEL 916 929-0540

FAX 916 929-0541

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

To the Agency Board of Directors
City of Marina Redevelopment Agency
Marina, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Marina (the Agency), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 21, 2011.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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Those provisions include laws and regulations in accordance with the *Guidelines for Compliance Audits of California Redevelopment Agencies, issued June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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Mann Urrutia Nelson CPAs

Mann, Urrutia, Nelson CPAs
Sacramento, California
October 21, 2011

End