

Marina Redevelopment Agency
Annual Financial Report
June 30, 2008

MARINA REDEVELOPMENT AGENCY

Annual Financial Report

Year Ended
June 30, 2008

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (Required Supplementary Information)	i-vi
Financial Statements	
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	8
Notes to Financial Statements	9-15
Required Supplementary Information	
Statement of Revenues and Expenditures - Budget and Actual - Governmental Funds	16-19
Non-major Governmental Funds - Combining Balance Sheet.....	20
Non-major Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance	21

NICHOLSON & OLSON

CERTIFIED PUBLIC ACCOUNTANTS
729 Sunrise Avenue, Suite 303
Roseville, California 95661

INDEPENDENT AUDITOR'S REPORT

Members of the Marina Redevelopment Agency
City of Marina, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Marina Redevelopment Agency (the "Agency"), a component unit of the City of Marina, California, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Local Government Fiscal Affairs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 financial position of the governmental activities and each major fund of the Marina Redevelopment Agency, as of June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Marina Redevelopment Agency
City of Marina, California

The management's discussion and analysis, and budgetary comparison information, as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Nicholson & Olson

Certified Public Accountants
Roseville, California
October 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Marina Redevelopment Agency (the 'Agency') annual financial report presents management's discussion and analysis of the Agency's finances during the fiscal year ended June 30, 2008. As a component unit of the City of Marina, the Agency's financial statements are presented as an integral part of the City of Marina's financial statements. In addition, the Agency's discrete financial statements are presented below.

FINANCIAL HIGHLIGHTS

- The Agency's total net assets at June 30, 2008 were \$2,706,902.
- Total net assets increased by \$912,620 during the year, \$480,805 of which was due to the sale of a parcel of real property, donated to the Agency by the United States Army incident to the closure of former Fort Ord. The remaining change resulted from increased property taxes on recently developed property, notably The Dunes and long-term bonded debt principal payments. Additional information concerning the sale of real property can be found in the City of Marina's Notes to Financial Statements. Further information on the Agency's long-term debt can be found in the accompanying Notes to Financial Statements.
- During previous years, Project Area #3 (Former Fort Ord) borrowed \$378,400 from the City of Marina, comprising 3 cash-flow loans of \$187,000, \$150,000 and \$41,400 to finance North and West University Villages Outreach; 2nd Avenue telecommunications conduit positioning; and 2nd Avenue street lights, respectively. Principal payments of \$5,780 during 03/04; \$3,439 in 04/05; \$11,611 in 05/06; \$56,591 in '06/07 and \$26,952 in '07/08 have reduced interfund principal debt on these obligations at June 30, 2008 to \$274,027. During 2006/07, additional loans were advanced from the City to the Agency to enable redevelopment projects whose cash inflows lag behind related costs. These advances total \$1,133,514 and have no specific repayment schedule but will be repaid as cash flows permit.
- The Agency incurred no other new long-term indebtedness during 2007/2008 and, as stated previously, reduced prior long-term bonded debt principal by \$125,000.

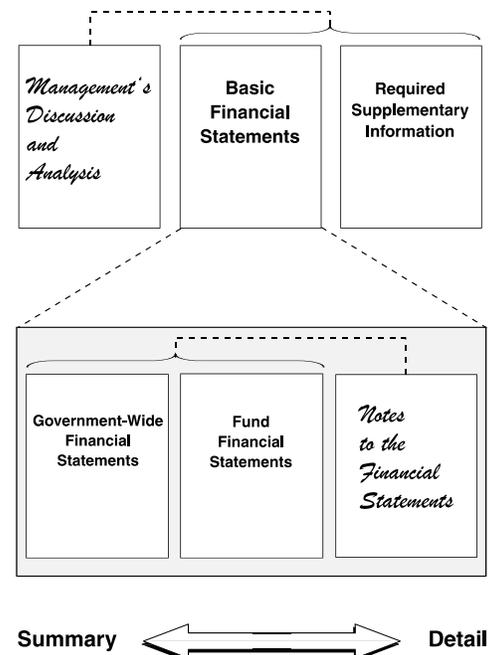
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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.

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



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 \$2,706,902 and \$1,794,282 at June 30, 2008 and 2007, respectively, and changes in net assets during the fiscal years, are detailed in the following schedules.

NET ASSETS

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash	\$ 5,543,930	\$ 4,732,123
Accrued Receivables	11,742	40,529
Prepaid Expense	27,017	32,995
Notes Receivable	<u>7,154</u>	<u>17,106</u>
Total Assets	<u>\$ 5,589,843</u>	<u>\$ 4,822,753</u>
LIABILITIES		
Current Liabilities		
Accrued Payables	\$ 59,475	\$ 120,869
Pass-throughs & Deposits	<u>298,771</u>	<u>221,003</u>
Total current liabilities	\$ 358,246	\$ 341,872
Interfund Loans Payable	1,407,541	1,434,493
Bonds Payable	1,110,000	1,235,000
Deferred Revenue	<u>7,154</u>	<u>17,106</u>
Total Liabilities	<u>\$ 2,882,941</u>	<u>\$ 3,028,471</u>
Net Assets - June 30	<u>\$ 2,706,902</u>	<u>\$ 1,794,282</u>

CHANGES IN NET ASSETS

	Fiscal Year Ended	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
REVENUES		
Property Tax Increment	\$ 2,633,654	\$ 1,442,611
Less Pass-through & ERAF Pmts	<u>(1,110,511)</u>	<u>(495,686)</u>
Net Taxes	\$ 1,523,143	\$ 946,925
Charges for Services & Rents	77,592	139,028
Investment Earnings	92,354	99,172
Sale of Assets	480,805	3,000,000
Cost Reimbursements & Other	<u>66,824</u>	<u>139,228</u>
Total Revenues	<u>\$ 2,240,718</u>	<u>\$ 4,324,353</u>
EXPENDITURES		
Program Expenditures <small>(excludes interfund transfers between Agency funds)</small>		
Project Area #1	\$ 555,045	\$ 874,328
Project Area #2	156,126	80,110
Project Area #3	<u>409,829</u>	<u>462,628</u>
Total Expenditures	<u>\$ 1,121,000</u>	<u>\$ 1,417,066</u>
Revenues Over(Under) Exp	\$ 1,119,718	\$ 2,907,287
Interfund Transfers In	716,988	683,543
Interfund Transfers (Out)	(1,067,902)	(8,465,772)
Bonded Debt Reduction	<u>125,000</u>	<u>120,000</u>
Incr(decr) in Net Assets	\$ 893,804	\$(4,754,942)
Prior-Period Adjustment	18,816	-
Net Assets - Beginning	<u>1,794,282</u>	<u>6,549,224</u>
Net Assets - Ending	<u>\$ 2,706,902</u>	<u>\$ 1,794,282</u>

BUDGET HIGHLIGHTS

- *On-going revenues.* Property Tax Increment increased by \$1,191,043 - more than 82½% - from the previous year, as the result of increased property assessments on recently developed property on the former Fort Ord. Other on-going revenues stayed essentially the same as the previous fiscal year.
- *One-time revenues.* During '05/06, '06/07 and '07/08, the Agency sold various real property that had been donated to the Agency by the United States Government, generally described as the Abrams and Patton Housing Properties. The sales produced one-time revenues totaling \$8,790,805; \$5,310,000, \$3,000,000 and \$480,805 in '05/06, '06/07 and '07/08, respectively. Although similar sales cannot necessarily be expected to recur in future years, other one-time revenues that are not foreseeable at this time, might occur. The Agency's Board will budget for those revenues if they arise, and determine the appropriate use of the proceeds.
- *Expenditures.* Expenditures vary from year to year as the level of development activity and related project costs occur. Except for interfund transfer of property

sales proceeds to the City, discussed previously, current-year expenditures did not materially vary from the prior years or from the budgets adopted for the current year. As future redevelopment activity continues, Agency-wide revenues and related development-driven operating costs will change accordingly, and the Board will adopt and/or amend the budget commensurate with redevelopment project requirements.

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

AGENCY-WIDE BUDGET CHANGES & ACTUAL-BUDGET COMPARISON

	Original Budget	Board- Approved Changes	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Taxes	\$ 1,382,404	\$ -	\$ 1,382,404	\$2,633,654	\$ 1,251,250
Chrg for Svcs/Rents	109,251	-	109,251	77,592	(31,659)
Investment Earnings	32,300	-	32,300	92,354	60,054
Sale of Assets	-	-	-	480,805	480,805
Interfund Transfers	457,762	-	457,762	716,988	259,226
Other	<u>30,000</u>	<u>25,000</u>	<u>55,000</u>	<u>66,824</u>	<u>11,824</u>
Total Revenues	<u>\$ 2,011,717</u>	<u>\$ 25,000</u>	<u>\$ 2,036,717</u>	<u>\$4,068,217</u>	<u>\$ 2,031,500</u>
EXPENDITURES					
Admin & Planning	\$ 2,514,464	\$ (159,242)	\$ 2,355,222	\$ 562,655	\$ 1,792,567
Professional Svcs	266,000	295,750	561,750	379,238	182,512
Debt Service	179,108	-	179,108	179,107	1
Interfund Transfers	467,519	25,706	493,225	1,067,902	(574,677)
Pass-Throughs	<u>444,247</u>	<u>(25,706)</u>	<u>418,541</u>	<u>1,110,511</u>	<u>(691,970)</u>
Total Expenditures	<u>\$ 3,871,338</u>	<u>\$ 136,508</u>	<u>\$ 4,007,846</u>	<u>\$ 3,299,413</u>	<u>\$ 708,433</u>
Revenues Over(Under)					
Expenditures & Net					
Interfund Transfers	<u>\$(1,859,621)</u>	<u>\$ (111,508)</u>	<u>\$(1,971,129)</u>	<u>\$ 768,804</u>	<u>\$ 2,739,933</u>

DEBT ADMINISTRATION

At June 30, 2008, the Agency had \$1,110,000 in bonds outstanding, consisting of the following bond issues:

2000 Tax Allocation Series A Bonds (Airport Improvement)	\$ 610,000
2002 Public Safety Building Refinancing Issue	<u>500,000</u>
Total Bond Principal Outstanding June 30, 2008	<u>\$ 1,110,000</u>

Principal payments during 2007-08 reduced the Agency's outstanding long-term debt by \$125,000, from \$1,235,000 to \$1,110,000. 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 2008/09 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 increase significantly for 2008/09. Other on-going revenues and expenditures are budgeted to remain essentially stable. If, during 2008/09 it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the Agency Board will adopt necessary budget amendments.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is intended to provide citizens, 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.

FINANCIAL STATEMENTS

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MARINA REDEVELOPMENT AGENCY

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 5,543,930
Accounts Receivable	11,742
Prepaid Expenses	27,017
Notes Receivable	7,154
Total Assets	<u>\$ 5,589,843</u>
LIABILITIES	
Accounts Payable	\$ 51,549
Accrued Payroll and Benefits	7,926
Lease Deposits	5,000
Long-term Liabilities:	
Bonds Payable	
Due in Less Than One Year	130,000
Due in More Than One Year	980,000
Pass-through Obligations	293,771
Advances from Other Funds	
Due in Less Than One Year	32,299
Due in More Than One Year	1,375,242
Deferred Revenue	7,154
Total Liabilities	<u>\$ 2,882,941</u>
NET ASSETS	
Total Net Assets - Unrestricted	<u>\$ 2,706,902</u>

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

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Operating Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>
Redevelopment Activity			
Project area #1	\$ 931,284	\$ 41,824	\$ (889,460)
Project area #2	200,585	1,423	(199,162)
Project area #3	1,326,980	583,398	(743,582)
Total Redevelopment Activity	<u>\$ 2,458,849</u>	<u>\$ 626,645</u>	<u>\$ (1,832,204)</u>
General Revenues			
Property Tax Revenues			
Project area #1		\$ 1,134,511	
Project area #2		82,540	
Project area #3		<u>1,416,603</u>	\$ 2,633,654
Investment Earnings			
Project area #1		\$ 43,611	
Project area #2		8,145	
Project area #3		<u>40,598</u>	92,354
Total General Revenues			<u>\$ 2,726,008</u>
Change in Net Assets			893,804
Net Assets, Beginning of Year			1,794,282
Prior Period Adjustment			18,816
Net Assets, End of Year			<u>\$ 2,706,902</u>

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

MARINA REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Major Funds					Non-Major Funds	Total Governmental Funds
	Proj Area #1	Proj Area #1	Proj Area #2	Proj Area #3	Proj Area #3		
	Operating	Housing	Operating	Operating	Housing		
ASSETS							
Cash	\$ 1,057,103	\$ 1,676,722	\$ 320,155	\$ 1,702,352	\$ 321,389	\$ 466,209	\$ 5,543,930
Accounts Receivable	-	-	-	-	-	11,742	11,742
Prepaid Expenditures	2,658	1,680	-	8,192	-	14,487	27,017
Notes Receivable	-	7,154	-	-	-	-	7,154
Total Assets	\$ 1,059,761	\$ 1,685,556	\$ 320,155	\$ 1,710,544	\$ 321,389	\$ 492,438	\$ 5,589,843
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 10,943	\$ 2,155	\$ 1,693	\$ 34,675	\$ 234	\$ 1,849	\$ 51,549
Accrued Payroll and Benefits	1,527	-	-	6,399	-	-	7,926
Lease Deposits	-	-	-	-	-	5,000	5,000
Pass-through Obligations	210,816	-	-	82,955	-	-	293,771
Interfund Loans Payable	248,514	-	305,000	454,027	360,000	40,000	1,407,541
Deferred Revenue	-	7,154	-	-	-	-	7,154
Total Liabilities	\$ 471,800	\$ 9,309	\$ 306,693	\$ 578,056	\$ 360,234	\$ 46,849	\$ 1,772,941
Fund Balances							
Unreserved, Undesignated	587,961	1,676,247	13,462	1,132,488	(38,845)	445,589	3,816,902
Total Liabilities and Fund Balances	\$ 1,059,761	\$ 1,685,556	\$ 320,155	\$ 1,710,544	\$ 321,389	\$ 492,438	\$ 5,589,843

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, 2008

Fund Balances - Governmental Funds (Page 5) \$ 3,816,902

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

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	(610,000)
2002 Tax Allocation Bonds	<u>(500,000)</u>

Net Assets of Governmental Activities (Page 3) \$ 2,706,902

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, 2008**

	Major Funds					Non-Major Funds	Total Governmental Funds
	Proj Area #1	Proj Area #1	Proj Area #2	Proj Area #3	Proj Area #3		
	Operating	Housing	Operating	Operating	Housing		
Revenues							
Property Tax Increment	\$ 1,134,511	\$ -	\$ 82,540	\$ 1,416,603	\$ -	\$ -	\$ 2,633,654
Rental Income	-	-	-	-	-	77,592	77,592
Investment Earnings	18,580	24,651	6,207	33,907	3,797	5,212	92,354
Sale of Assets	-	-	-	480,805	-	-	480,805
Other	29,139	12,684	-	25,001	-	-	66,824
Total Revenues	<u>\$ 1,182,230</u>	<u>\$ 37,335</u>	<u>\$ 88,747</u>	<u>\$ 1,956,316</u>	<u>\$ 3,797</u>	<u>\$ 82,804</u>	<u>\$ 3,351,229</u>
Expenditures							
Administration and Planning	\$ 139,193	\$ 60,538	\$ 65,536	\$ 202,876	\$ 72,246	\$ 22,266	\$ 562,655
Professional Services	128,484	92,409	22,758	63,805	39,379	32,403	379,238
Debt Service Principal	-	-	-	-	-	125,000	125,000
Interest Expense	-	-	-	-	-	54,107	54,107
Tax Increment Pass-throughs	350,766	-	23,111	736,634	-	-	1,110,511
Total Expenditures	<u>\$ 618,443</u>	<u>\$ 152,947</u>	<u>\$ 111,405</u>	<u>\$ 1,003,315</u>	<u>\$ 111,625</u>	<u>\$ 233,776</u>	<u>\$ 2,231,511</u>
Revenues Over (Under) Expenditures	<u>\$ 563,787</u>	<u>\$ (115,612)</u>	<u>\$ (22,658)</u>	<u>\$ 953,001</u>	<u>\$ (107,828)</u>	<u>\$ (150,972)</u>	<u>\$ 1,119,718</u>
Other Financing Sources (Uses)							
Operating Transfers In	\$ -	\$ 226,902	\$ -	\$ -	\$ 283,321	\$ 206,765	\$ 716,988
Operating Transfers (Out)	(460,214)	(47,631)	(77,828)	(346,590)	(117,249)	(18,390)	(1,067,902)
Total Other Sources (Uses)	<u>\$ (460,214)</u>	<u>\$ 179,271</u>	<u>\$ (77,828)</u>	<u>\$ (346,590)</u>	<u>\$ 166,072</u>	<u>\$ 188,375</u>	<u>\$ (350,914)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ 103,573</u>	<u>\$ 63,659</u>	<u>\$ (100,486)</u>	<u>\$ 606,411</u>	<u>\$ 58,244</u>	<u>\$ 37,403</u>	<u>\$ 768,804</u>
Fund Balances, Beginning of Year	465,572	1,612,588	113,948	526,077	(97,089)	408,186	3,029,282
Prior Period Adjustment	18,816	-	-	-	-	-	18,816
Fund Balances, End of Year	<u>\$ 587,961</u>	<u>\$ 1,676,247</u>	<u>\$ 13,462</u>	<u>\$ 1,132,488</u>	<u>\$ (38,845)</u>	<u>\$ 445,589</u>	<u>\$ 3,816,902</u>

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

MARINA REDEVELOPMENT AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds (Page 7) \$ 768,804

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	<u>110,000</u>

Change in Net Assets of Governmental Activities (Page 4) \$ 893,804

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

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

The following notes to financial statements include a summary of significant accounting policies and other information considered essential to fully disclose and fairly present the transactions and financial position of the Agency:

- Note 1 - The Reporting Entity
- Note 2 - Significant Accounting Policies
- Note 3 - Cash and Investments
- Note 4 - Long-Term Debt
- Note 5 - Budgetary Compliance

1 - The Reporting Entity

The Marina Redevelopment Agency (Agency) is a separate legal entity subject to oversight by the Marina City Council (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 (City). In addition to presenting these financial statements, the Agency's financial data has been blended with the City's annual financial report for the fiscal year ended June 30, 2008.

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.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

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 if any, and both short-term and long-term liabilities. The Statement of Activities compares program expenses and revenues for each Agency project area. Program expenses are costs of specific project-area activities and programs which, pursuant to redevelopment law, cannot be commingled. Program revenues include fees and other charges for goods and services as well as grants and contributions, if any, that are restricted to specific programs. Non-program revenues are general revenues that are available for any redevelopment purpose within the respective project area in which the revenue was generated. The Agency sometimes funds programs with a combination of revenues, thus both restricted and unrestricted net assets are often available to finance program expenses.

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

Fund Accounting

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

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

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.

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

Measurement Focus and Basis of Accounting

Measurement focus refers to *what* transactions and events are reported in a fund. Governmental Funds use a 'current financial resources' measurement focus. This

means only current assets and liabilities are recorded on their balance sheets, and only increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets are reported in their operating statements. Thus, the fund balance of governmental funds is a measure of 'available spendable resources.'

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

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

Government-wide financial statements use the economic resources measurement focus and 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 resolution. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. For control purposes, the budget is

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

integrated into the accounting system. Encumbrance accounting is used as an additional control measure, and appropriations lapse at year-end.

Long -Term Debt

Due to the 'current financial resources' measurement focus, general long-term debt is not reported in the balance sheet of governmental funds; however, in the government-wide financial statements, general long-term obligations are reported as liabilities in the statement of net assets and related transactions are reflected in the Statement of Activities.

Net Assets

In the Statement of Net Assets, assets are classified as restricted or unrestricted. Restricted net assets must be spent in accordance with externally-imposed legal or contractual restrictions. Since the law restricts all redevelopment resources to redevelopment purposes, assets limited to a purpose no more limited than the fund in which they are contained are not shown as restricted because the fund itself is restricted. Unrestricted net assets represent resources that may be used at the discretion of the governing board to meet current expenses for any redevelopment purpose. By this definition, the Agency has no restricted assets at June 30, 2008.

Tax Increment

The Agency does not have authority to levy tax, but receives tax increment from Monterey County. Tax increment is the additional property tax created in a project area which exceeds the base year value due to improvements and reassessments.

Interfund Transactions

Transfers In/Out on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance are transfers between funds, including tax-increment transfers from each project area's operating fund to its debt service fund and housing fund as required by bond covenants and housing set-aside laws, and transfers between Agency funds and City funds.

Interfund loans on the Governmental Funds Balance Sheet include loans from the City to finance projects whose related revenues occur subsequent to the expenditures. Interfund loans will be repaid as cash flows permit.

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

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 - Cash and Investments

Disclosures and information required by GASB 40 regarding investment interest rate risk, credit risk, and concentration of credit risk, while not applicable to the Agency's cash balances, and custodial credit risk, can be found in the City of Marina's notes to financial statements.

Agency cash is maintained by the City of Marina in a cash pool, but the Agency maintains a separate account with the State of California Local Agency Investment Fund (LAIF). The LAIF is regulated by §16429 of the California Government Code and managed by the California State Treasurer under oversight of the Pooled Money Investment Board and Local Agency Investment Advisory Board. LAIF deposits are available for immediate withdrawal without interest or principal penalty and are considered by the Agency to be a cash equivalent rather than an investment. At year end the Agency's balance in the LAIF was \$1,752,590.

4 - 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 \$ 610,000

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 \$ 500,000

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

Changes in Long-Term Debt in '07/08

	Tax Allocation Bonds	
	<u>2000</u>	<u>2002</u>
Beginning Balance	\$ 625,000	\$ 610,000
Principal Retirement	<u>(15,000)</u>	<u>(110,000)</u>
Balance June 30, 2008	<u>\$ 610,000</u>	<u>\$ 500,000</u>

Scheduled Payments

Annual principal and interest requirements on the long-term bonded debt outstanding at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>2000</u> Tax Allocation Bonds	<u>2002</u> Tax Allocation Bonds
2009	\$ 43,975	\$ 134,470
2010	43,262	134,300
2011	42,550	138,800
2012	41,838	137,970
2013	46,125	-
2014-2018	221,375	-
2019-2023	223,825	-
2024-2028	218,912	-
2029-2031	<u>137,713</u>	<u>-</u>
Subtotal	1,018,975	545,540
Less interest	<u>(408,975)</u>	<u>(45,540)</u>
Principal Balance	610,000	500,000
Less current portion	<u>(15,000)</u>	<u>(115,000)</u>
Long-term portion	<u>\$ 595,000</u>	<u>\$ 385,000</u>

MARINA REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2008

5 - Budgetary Compliance

Agency expenditures, while disclosed and managed at the line-item level, are budgeted and controlled at the total fund level. Thus, while budget-to-actual schedules might show budget overexpenditures for certain individual line-item expenditures, no funds' expenditures were overexpended in total for the fiscal year ended June 30, 2008. Therefore, the Agency was in compliance with all budgetary expenditure controls.

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MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Project Area #1 Operating Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property Tax Increment	\$ 1,145,460	\$ 1,145,460	\$ 1,134,511	\$ (10,949)
Charges for Services & Rents	-	-	-	-
Investment Earnings	5,000	5,000	18,580	13,580
Sale of Assets	-	-	-	-
Other	30,000	30,000	29,139	(861)
Total Revenue	<u>\$ 1,180,460</u>	<u>\$ 1,180,460</u>	<u>\$ 1,182,230</u>	<u>\$ 1,770</u>
Expenditures				
Administration and Planning	\$ 782,343	\$ 529,531	\$ 139,193	\$ 390,338
Professional Services	71,100	331,160	128,484	202,676
Debt Service Principal Payments	-	-	-	-
Interest Expense & Debt Administration	-	-	-	-
Tax Increment Pass-throughs	354,151	354,151	350,766	3,385
Total Expenditures	<u>\$ 1,207,594</u>	<u>\$ 1,214,842</u>	<u>\$ 618,443</u>	<u>\$ 596,399</u>
Revenues Over (Under) Expenditures	\$ (27,134)	\$ (34,382)	\$ 563,787	\$ 598,169
Other Financing Sources (Uses)				
Operating Transfers In (Out) - Net	<u>(36,253)</u>	<u>(371,199)</u>	<u>(460,214)</u>	<u>(89,015)</u>
Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	<u>\$ (63,387)</u>	<u>\$ (405,581)</u>	<u>\$ 103,573</u>	<u>\$ 509,154</u>

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

	Project Area #1 Housing Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property Tax Increment	\$ -	\$ -	\$ -	\$ -
Charges for Services & Rents	-	-	-	-
Investment Earnings	20,000	20,000	24,651	4,651
Sale of Assets	-	-	-	-
Other	-	-	12,684	12,684
Total Revenue	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 37,335</u>	<u>\$ 17,335</u>
Expenditures				
Administration and Planning	\$ 821,996	\$ 739,356	\$ 60,538	\$ 678,818
Professional Services	72,100	184,600	92,409	92,191
Debt Service Principal Payments	-	-	-	-
Interest Expense & Debt Administration	-	-	-	-
Tax Increment Pass-throughs	-	-	-	-
Total Expenditures	<u>\$ 894,096</u>	<u>\$ 923,956</u>	<u>\$ 152,947</u>	<u>\$ 771,009</u>
Revenues Over (Under) Expenditures	\$ (874,096)	\$ (903,956)	\$ (115,612)	\$ 788,344
Other Financing Sources (Uses)				
Operating Transfers In (Out) - Net	<u>229,092</u>	<u>229,092</u>	<u>179,271</u>	<u>(49,821)</u>
Revenues and Other Financing Sources				
Over(Under) Expenditures and Other Uses	<u>\$ (645,004)</u>	<u>\$ (674,864)</u>	<u>\$ 63,659</u>	<u>\$ 738,523</u>

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Project Area #3 Operating Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property Tax Increment	\$ 156,219	\$ 156,219	\$ 1,416,603	\$ 1,260,384
Charges for Services & Rents	-	-	-	-
Investment Earnings	5,000	5,000	33,907	28,907
Sale of Assets	-	-	480,805	480,805
Other	-	25,000	25,001	1
Total Revenue	<u>\$ 161,219</u>	<u>\$ 186,219</u>	<u>\$ 1,956,316</u>	<u>\$ 1,770,097</u>
Expenditures				
Administration and Planning	\$ 276,430	\$ 270,730	\$ 202,876	\$ 67,854
Professional Services	37,100	83,700	63,805	19,895
Debt service Principal Payments	-	-	-	-
Interest Expense & Debt Administration	-	-	-	-
Tax Increment Pass-throughs	66,209	736,634	736,634	-
Total Expenditures	<u>\$ 379,739</u>	<u>\$ 1,091,064</u>	<u>\$ 1,003,315</u>	<u>\$ 87,749</u>
Revenues Over (Under) Expenditures	\$ (218,520)	\$ (904,845)	\$ 953,001	\$ 1,857,846
Other Financing Sources (Uses)				
Operating Transfers In (Out) - Net	<u>(36,253)</u>	<u>(283,321)</u>	<u>(346,590)</u>	<u>(63,269)</u>
Revenues and Other Financing Sources Over(Under) Expenditures and Other Uses	<u>\$ (254,773)</u>	<u>\$ (1,188,166)</u>	<u>\$ 606,411</u>	<u>\$ 1,794,577</u>

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

	Project Area #2 Operating Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property Tax Increment	\$ 80,725	\$ 80,725	\$ 82,540	\$ 1,815
Charges for Services & Rents	-	-	-	-
Investment Earnings	1,000	1,000	6,207	5,207
Sale of Assets	-	-	-	-
Other	-	-	-	-
Total Revenue	<u>\$ 81,725</u>	<u>\$ 81,725</u>	<u>\$ 88,747</u>	<u>\$ 7,022</u>
Expenditures				
Administration and Planning	\$ 192,057	\$ 102,957	\$ 65,536	\$ 37,421
Professional Services	21,100	110,200	22,758	87,442
Debt service Principal Payments	-	-	-	-
Interest Expense & Debt Administration	-	-	-	-
Tax Increment Pass-throughs	20,887	20,887	23,111	(2,224)
Total Expenditures	<u>\$ 234,044</u>	<u>\$ 234,044</u>	<u>\$ 111,405</u>	<u>\$ 122,639</u>
Revenues over (under) expenditures	\$ (152,319)	\$ (152,319)	\$ (22,658)	\$ 129,661
Other Financing Sources (Uses)				
Operating Transfers In (Out) - Net	<u>(60,067)</u>	<u>(60,067)</u>	<u>(77,828)</u>	<u>(17,761)</u>
Revenues and Other Financing Sources				
Over(Under) Expenditures and Other Uses	<u>\$ (212,386)</u>	<u>\$ (212,386)</u>	<u>\$ (100,486)</u>	<u>\$ 111,900</u>

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Project Area #3 Housing Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property Tax Increment	\$ -	\$ -	\$ -	\$ -
Charges for Services & Rents	-	-	-	-
Investment Earnings	-	-	3,797	3,797
Sale of Assets	-	-	-	-
Other	-	-	-	-
Total Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,797</u>	<u>\$ 3,797</u>
Expenditures				
Administration and Planning	\$ 197,651	\$ 189,495	\$ 72,246	\$ 117,249
Professional Services	14,600	52,250	39,379	12,871
Debt service Principal Payments	-	-	-	-
Interest Expense & Debt Administration	-	-	-	-
Tax Increment Pass-throughs	-	-	-	-
Total Expenditures	<u>\$ 212,251</u>	<u>\$ 241,745</u>	<u>\$ 111,625</u>	<u>\$ 130,120</u>
Revenues over (under) expenditures	\$ (212,251)	\$ (241,745)	\$ (107,828)	\$ 133,917
Other Financing Sources (Uses)				
Operating Transfers In (Out) - Net	<u>36,253</u>	<u>36,253</u>	<u>166,072</u>	<u>129,819</u>
Revenues and Other Financing Sources				
Over(Under) Expenditures and Other Uses	<u>\$ (175,998)</u>	<u>\$ (205,492)</u>	<u>\$ 58,244</u>	<u>\$ 263,736</u>

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

	Other Non Major Governmental Funds			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property Tax Increment (Net)	\$ -	\$ -	\$ -	\$ -
Charges for Services & Rents	109,251	109,251	77,592	(31,659)
Investment Earnings	1,300	1,300	5,212	3,912
Sale of Assets	-	-	-	-
Other	-	-	-	-
Total Revenue	<u>\$ 110,551</u>	<u>\$ 110,551</u>	<u>\$ 82,804</u>	<u>\$ (27,747)</u>
Expenditures				
Administration and Planning	\$ 243,987	\$ 243,987	\$ 22,266	\$ 221,721
Professional Services	50,000	100,000	32,403	67,597
Debt Service Principal Payments	125,000	125,000	125,000	-
Interest Expense & Debt Administration	54,108	54,108	54,107	1
Tax Increment Pass-throughs	-	-	-	-
Total Expenditures	<u>\$ 473,095</u>	<u>\$ 523,095</u>	<u>\$ 233,776</u>	<u>\$ 289,319</u>
Revenues over (under) expenditures	\$ (362,544)	\$ (412,544)	\$ (150,972)	\$ 261,572
Other Financing Sources (Uses)				
Operating Transfers In (Out) - Net	192,417	192,417	188,375	(4,042)
Revenues and Other Financing Sources	<u>192,417</u>	<u>192,417</u>	<u>188,375</u>	<u>(4,042)</u>
Over(Under) Expenditures and Other Uses	<u>\$ (170,127)</u>	<u>\$ (220,127)</u>	<u>\$ 37,403</u>	<u>\$ 257,530</u>

MARINA REDEVELOPMENT AGENCY

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Total All Governmental Funds			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property Tax Increment	\$ 1,382,404	\$ 1,382,404	\$ 2,633,654	\$ 1,251,250
Charges for Services & Rents	109,251	109,251	77,592	(31,659)
Investment Earnings	32,300	32,300	92,354	60,054
Sale of Assets	-	-	480,805	480,805
Other	30,000	55,000	66,824	11,824
Total Revenue	<u>\$ 1,553,955</u>	<u>\$ 1,578,955</u>	<u>\$ 3,351,229</u>	<u>\$ 1,772,274</u>
Expenditures				
Administration and Planning	\$ 2,514,464	\$ 2,376,216	\$ 562,655	\$ 1,813,561
Professional Services	266,000	561,750	379,238	182,512
Debt Service Principal Payments	125,000	125,000	125,000	-
Interest Expense & Debt Administration	54,108	54,108	54,107	1
Tax Increment Pass-throughs	444,247	1,111,672	1,110,511	1,161
Total Expenditures	<u>\$ 3,403,819</u>	<u>\$ 4,228,746</u>	<u>\$ 2,231,511</u>	<u>\$ 1,997,235</u>
Revenues Over (Under) Expenditures	\$ (1,849,864)	\$ (2,649,791)	\$ 1,119,718	\$ 3,769,509
Other Financing Sources (Uses)				
Interfund Transfers In	457,762	457,762	716,988	259,226
Interfund Transfers In(Out) Net	<u>(467,519)</u>	<u>(1,067,902)</u>	<u>(1,067,902)</u>	<u>-</u>
Revenues and Other Financing Sources				
Over(under) Expenditures and Other Uses	<u>\$ (1,859,621)</u>	<u>\$ (3,259,931)</u>	<u>\$ 768,804</u>	<u>\$ 4,028,735</u>

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

MARINA REDEVELOPMENT AGENCY

**Non-major Governmental Funds
Combining Balance Sheet
June 30, 2008**

	Project Area #3 Property	Project Area #2 Housing	Airport Tax Allocation Bonds	Public Safety Bldg Tax Allocation Bonds	Totals
ASSETS					
Cash	\$ 223,004	\$ 108,341	\$ -	\$ 134,864	\$ 466,209
Prepaid Expenditures	-	-	14,487	-	14,487
Accrued Receivables	11,742	-	-	-	11,742
TOTAL ASSETS	\$ 234,746	\$ 108,341	\$ 14,487	\$ 134,864	\$ 492,438
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 1,849	\$ -	\$ -	\$ -	\$ 1,849
Due to Other Funds	-	40,000	-	-	40,000
Lease Deposits	5,000	-	-	-	5,000
TOTAL LIABILITIES	\$ 6,849	\$ 40,000	\$ -	\$ -	\$ 46,849
FUND BALANCES					
Unreserved, Undesignated	\$ 227,897	\$ 68,341	\$ 14,487	\$ 134,864	\$ 445,589
TOTAL LIABILITIES AND FUND BALANCES	\$ 234,746	\$ 108,341	\$ 14,487	\$ 134,864	\$ 492,438

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

MARINA REDEVELOPMENT AGENCY

**Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2008**

	Project Area #3 Property	Project Area #2 Housing	Airport Tax Alloc Bonds	PS Bldg Tax Alloc Bonds	Totals
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	2,895	1,936	2	379	5,212
Charges for Services & Program Revenues	77,592	-	-	-	77,592
Total Revenues	<u>\$ 80,487</u>	<u>\$ 1,936</u>	<u>\$ 2</u>	<u>\$ 379</u>	<u>\$ 82,804</u>
EXPENDITURES					
Administration and Planning	\$ 472	\$ 21,794	\$ -	\$ -	\$ 22,266
Professional Services	31,051	1,352	-	-	32,403
Debt Service - Principal Retirement	-	-	15,000	110,000	125,000
Debt Service - Interest & Fees	-	-	29,687	24,420	54,107
Total Expenditures	<u>\$ 31,523</u>	<u>\$ 23,146</u>	<u>\$ 44,687</u>	<u>\$ 134,420</u>	<u>\$ 233,776</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 48,964</u>	<u>\$ (21,210)</u>	<u>\$ (44,685)</u>	<u>\$ (134,041)</u>	<u>\$ (150,972)</u>
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	\$ -	\$ 16,508	\$ 44,787	\$ 145,470	\$ 206,765
Interfund Transfers(Out)	-	(17,931)	(459)	-	(18,390)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (1,423)</u>	<u>\$ 44,328</u>	<u>\$ 145,470</u>	<u>\$ 188,375</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 48,964</u>	<u>\$ (22,633)</u>	<u>\$ (357)</u>	<u>\$ 11,429</u>	<u>\$ 37,403</u>
FUND BALANCES - BEGINNING OF YEAR	178,933	90,974	14,844	123,435	408,186
FUND BALANCES - END OF YEAR	<u>\$ 227,897</u>	<u>\$ 68,341</u>	<u>\$ 14,487</u>	<u>\$ 134,864</u>	<u>\$ 445,589</u>

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

End