

City of Marina
Annual Financial Report
June 30, 2008

CITY OF MARINA

California

Annual Financial Report
June 30, 2008

City Council

Gerald J. Wilmot
Dave McCall
Nancy Amadeo
Jim Ford
Ken Gray

Mayor
Mayor Pro Tem
Member
Member
Member

City Manager
Anthony J. Altfeld

NICHOLSON & OLSON

CERTIFIED PUBLIC ACCOUNTANTS

729 Sunrise Avenue, Suite 303 / Roseville, California 95661

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Marina, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marina, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marina, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and budgetary comparison information, as listed in the table of contents, and the schedule of funding progress as presented in note 11 to the financial statements, are not a required part of the basic financial statements but are 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.

Honorable Mayor
Members of the City Council
Marina, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marina's basic financial statements. The combining nonmajor fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nicholson & Olson
Certified Public Accountants
December 12, 2008

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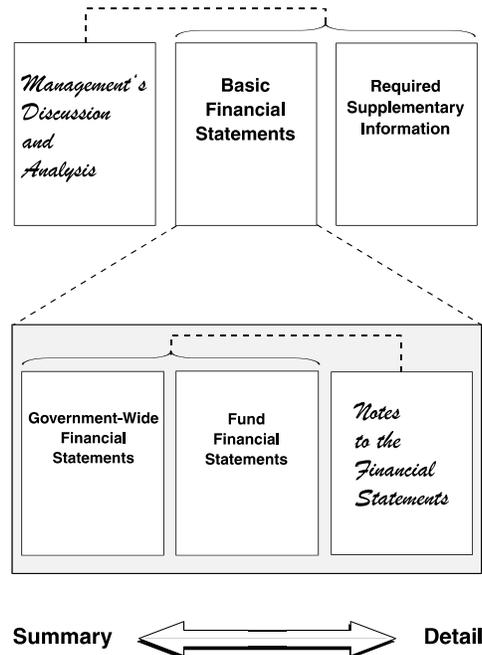
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Marina (the 'City') annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2008. It should be read in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets at June 30, 2008 were \$86,262,980, a slight increase of 3.17% from the June 30, 2007, net assets of \$83,676,769.
- During 2007/08, City-wide revenues (excluding interfund transfers) of \$28,694,939 were exceeded by City-wide total expenditures (excluding interfund transfers) of \$31,498,323 by \$2.8 million. Revenues include net real property sales proceeds of \$724,191 including sale of redevelopment agency real property contributed by the United States Army of \$480,805 and sale of a percolation pond for \$243,386. Expenditures included non-cash enterprise fund depreciation of \$799,902 and public improvement projects totaling \$5.4 million pursuant to the City's Capital Improvement Plan. Most of the public improvements were financed by federal and state grants, and impact fees that are restricted to that purpose. The City's major on-going revenues comprise property, sales and other taxes; charges for services such as rents; grants; user fees; program income and various other revenues including airport enterprise operations.
- On-going revenues comprising property, sales, motor vehicle, transient occupancy and franchise taxes and other revenues increased less than 5% for 2007/08 compared to the previous year. Public Facilities Impact Fees imposed on development projects to mitigate the effect of those developments - decreased substantially from 2006/07 due to the fact that one-time impact fees for several large projects were received during 2006-07. A significant portion of those impact fees financed public improvements during both the 2006-07 and 2007-08 fiscal years, as mentioned above. Private developer fees of \$2.8 million represent a slight increase from the previous year, and are expended solely on development-related activities. These revenues are not available to finance general governmental operations or programs.
- The cost of government activities naturally fluctuates from year-to-year due to inflation, timing of capital improvement projects and other discretionary and non-cyclical activities. City-wide expenditures for on-going programs did not vary materially from the prior year; however, see comments regarding the general fund in the following section.
- The City's General Fund reported a fund balance (net assets) at June 30, 2008, of \$8,496,033; down slightly more than \$2.9 million from the June 30, 2007, fund balance of \$11,439,382 due to an excess of general fund expenditures over general fund revenues.

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



OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

- Proprietary fund statements present financial information about Airport and Abrams B Housing activities, which the City operates and accounts for similar to a commercial business.

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

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

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

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

The government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities (also referred to as 'Fund Balance'), helps to measure the City's financial health or position. Increases or decreases in the City's net assets might, but do not necessarily, indicate whether its financial health is improving or deteriorating. To properly evaluate the City's overall health, one must also consider many nonfinancial factors such as the City Council's policies, goals and objectives; management's implementation plans; staffing levels; naturally-occurring changes in the City's revenue base and non-discretionary cost structure; and the local, state and national economies. This means that, on their own, general fund balances do not necessarily provide an adequate indication of the health of the City but, rather, reflect the City's on-going commitment to maintain essential government services and programs at acceptable levels, and to meet new needs as they arise. The general fund balance of more than \$11 million equals approximately one full year of recurring revenues, and is considered a fiscally conservative and prudent balance.

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

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

- Governmental - Most services are accounted for in governmental funds, focusing on (1) how cash and other assets that are readily convertible to cash flow in and out and (2) year-end balances available for spending. Governmental fund statements provide a detailed short-term view that shows the resources that can be spent in the near future on City programs. Because this information does not include the long-term focus of government-wide statements, management provides information to explain relationships among them.

- Proprietary - Airport operations and Abrams B Housing, for which the City measures results of operations similar to a commercial activity, are reported in the Marina Municipal Airport and Abrams B Housing enterprise funds. Proprietary funds, like government-wide statements, provide long and short-term financial information.
- Fiduciary - In the past, the City occasionally assumed responsibility for cash that was ostensibly restricted to the benefit of third parties, and segregated that cash in fiduciary (trust) funds. During 2004/05, Staff began an extensive analysis to identify the source of all cash that had been segregated to assure it was actually held in a fiduciary capacity. That analysis, concluded in 2005/06, determined that the segregated cash had not been properly characterized. Accordingly, that cash was reclassified and transferred to appropriate funds. As of June 30, 2007, the City reports no fiduciary funds on the balance sheet.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net assets of \$86,262,980 at June 30, 2008 are detailed in Table 1 below. *(For management discussion & analysis purposes, the following information is condensed, summarized and categorized differently than as reported in the financial statements. Total net assets are, of course, the same in both presentations.)*

Table 1
Net Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current Assets						
Cash and Cash Equivalents	28,661.7	32,845.7	5,944.8	7,526.7	34,606.5	40,372.4
Prepaid Expenses	760.7	791.7	1,215.1	1,011.6	1,975.8	1,803.3
Due from Other Funds	17,485.5	19,805.5	135.0	103.3	17,620.5	19,908.8
Other Receivables	1,049.4	1,502.0	35.8	46.4	1,085.2	1,548.4
Fuel Inventory	-	-	51.6	43.2	51.6	43.2
Total Current Assets	47,957.3	54,944.9	7,382.3	8,731.2	55,339.6	63,676.1
Noncurrent Assets						
Long-term Notes & Loans	483.8	670.3	-	-	483.8	670.3
Land, Bldgs & Equipment	49,797.4	45,210.9	64,043.5	63,898.6	113,840.9	109,109.5
(Accumulated Depreciation)	-9,180.0	-7,728.3	-6,971.6	-6,171.7	-16,151.6	-13,900.0
Total Noncurrent Assets	41,101.2	38,152.9	57,071.9	57,726.9	98,173.1	95,879.8
Total Assets	89,058.5	93,097.8	64,454.2	66,458.1	153,512.7	159,555.9
Liabilities						
Current Liabilities						
Accounts Payable	1,522.2	3,328.1	70.6	39.5	1,592.8	3,367.6
Accrued Liabilities	180.4	372.5	27.0	1.0	207.4	373.5
Deferred Revenue	78.0	136.6	-	43.4	78.0	180.0
Deposits & Other Liabilities	721.3	354.0	19.8	18.5	741.1	372.5
Due to Other Funds	1,940.7	1,864.3	15,679.8	18,044.5	17,620.5	19,908.8
Total Current Liabilities	4,442.6	6,055.5	15,797.2	18,146.9	20,239.8	24,202.4
Long-term Liabilities						
Notes Payable	-	-	45.6	61.0	45.6	61.0
Deferred Revenue	16,188.6	18,714.8	-	-	16,188.6	18,714.8
Leases Payable	111.2	147.0	-	-	111.2	147.0
Bonds Payable	29,470.0	31,680.0	-	-	29,470.0	31,680.0
Compensated Absences	1,194.5	1,073.9	-	-	1,194.5	1,073.9
Total Long-term Liabilities	46,964.3	51,615.7	45.6	61.0	47,009.9	51,676.7
Total Liabilities	51,406.9	57,671.2	15,842.8	18,207.9	67,249.7	75,879.1
Net Assets	37,651.6	35,426.6	48,611.4	48,250.2	86,263.0	83,676.8
Invested in Capital Assets(net)						
Restricted	16,851.1	13,265.6	43,053.8	43,435.9	59,904.9	56,701.5
Unrestricted	182.1	666.4	-	-	182.1	666.4
Total Net Assets	20,618.4	21,494.6	5,557.6	4,814.3	26,176.0	26,308.9
Total Net Assets	37,651.6	35,426.6	48,611.4	48,250.2	86,263.0	83,676.8

For purposes of this discussion, restricted net assets comprise only cash that is limited to a purpose that is more narrow than that of the fund(s) in which the cash is held. Of the \$182,116 restricted net assets, \$84,920 is held by bond fiscal agents and \$97,196 is in a grant-restricted revolving loan account. These assets must be used as mandated by bond indentures or federal grant program(s). Unrestricted net assets represent resources available to fund the programs of the City during the 2008/08 fiscal year and thereafter.

Changes in net assets. (Table 2)

- **REVENUES** City-wide revenues for 2007/08 (excluding interfund transfers) were \$28.3 million, a decrease of about \$8.9 million, or 24% from 2007/08 revenues of \$37.2 million (excluding interfund transfers and long-

term debt proceeds). Most of this decrease resulted from significantly lower impact and developer fees imposed to mitigate the effects of new development, which were unusually high during 2006-07 due to high levels of development. Except for this decline in fees, which will not necessarily recur in the future, revenues generally increased as expected from the previous year. Airport and Abrams B Housing revenues, accounted for as enterprise activities, increased slightly from the prior year. Enterprise revenues represent slightly more than 10% of City-wide revenues.

- **COSTS** City-wide costs for non-enterprise activities were \$28.5 million, a very slight decrease of \$1 million, or 3%, from the previous year expenditures of \$29.5 million. These are considered normal fluctuations in the delivery of a stable set of governmental services and programs. Airport and Abrams B Housing operating costs remained consistent, as related to respective revenues, compared to the previous year. Of the total non-enterprise operating costs, the amount that City residents paid directly for these activities through Property taxes was less than \$10 million. The remaining costs were financed by individuals, companies and programs that directly benefited from services: rents, grants, developer contributions, charges for services, and other dedicated program revenues provided \$13.6 million; visitor occupancy taxes \$1.5 million; licenses, permits and fines \$½ million; franchise taxes \$¼ million; investment earnings \$1.7 million; and asset sales \$¼ million, in addition to various State subventions and miscellaneous revenues, including sales and motor vehicle taxes.

Table 2

Change in Net Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services	5,260.0	15,057.3	2,744.4	2,291.6	8,004.4	17,348.9
Grants & Program Income	5,564.7	4,716.4	-	-	5,564.7	4,716.4
General L/T Debt Proceeds	-	4,315.0	-	-	-	4,315.0
General Revenues						
Taxes	11,678.1	9,883.7	-	-	11,678.1	9,883.7
Other Revenues	2,726.9	4,936.2	293.7	291.5	3,020.6	5,227.7
Interfund Transfers In	3,691.6	14,049.7	-	-	3,691.6	14,049.7
Total Revenues	28,921.3	52,958.3	3,038.1	2,583.1	31,959.4	55,541.4
Expenditures						
General Government	2,473.6	6,383.0	-	-	2,473.6	6,383.0
Public Safety	8,064.0	6,401.7	-	-	8,064.0	6,401.7
Planning	597.6	671.7	-	-	597.6	671.7
Redevelopment	2,052.4	1,653.5	-	-	2,052.4	1,653.5
Economic Development	3,737.1	4,352.0	-	-	3,737.1	4,352.0
Recreation	887.8	660.6	-	-	887.8	660.6
Public Works	1,659.4	2,039.6	-	-	1,659.4	2,039.6
Public Improvements	5,417.0	10,087.6	-	-	5,417.0	10,087.6
Debt Service	3,605.8	1,518.6	-	-	3,605.8	1,518.6
Enterprise Operations	-	-	2,576.5	1,899.1	2,576.5	1,899.1
Interfund Transfers Out	3,442.6	13,956.2	249.0	93.5	3,691.6	14,049.7
Total Expenditures	31,937.3	47,724.5	2,825.5	1,992.6	34,762.8	49,717.1
Revenues Over						
(-)under Expenditures	-3,016.0	5,233.8	212.6	590.5	-2,803.4	5,824.3
Net Assets, Beginning	35,426.6	25,252.5	48,250.2	47,659.7	83,676.8	72,912.2
Net Capital Assets Increase	3,134.7	23,431.8	129.8	-	3,264.5	23,431.8
L-T Debt (increase)decrease	2,125.1	-18,388.8	-	-	2,125.1	-18,388.8
Net Prior-period adjustments	-18.8	-102.7	18.8	-	-	-102.7
Net Assets, Ending	37,651.6	35,426.6	48,611.4	48,250.2	86,263.0	83,676.8

GENERAL FUND BUDGET HIGHLIGHTS

During the year, the City revised the General Fund budget at various times in response to program changes, in accordance with procedures established by the City Council in conjunction with adoption of the original budget, as set forth in Table 3. As modified by those amendments, actual General Fund revenues fell short of budget by almost \$1.8 million, mostly due to the fact that \$3 million sales of percolation ponds did not occur as budgeted. That revenue shortfall was mitigated to some extent by tax and other on-going revenue increases. Percolation pond sales were re-budgeted in 2008/09 at a lower amount to reflect more current projections.

General fund expenditures were \$2.6 million less than budgeted, largely due to salary and salary-related cost savings resulting from budgeted but vacant positions. The City is recruiting to fill certain vacant positions in the context of a general hiring freeze imposed by the City Manager on October 14, 2008. In addition, the General Fund budget contained contingency appropriations for future year liabilities that were not expended.

Table 3

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

	Budget as Adopted	Council Approved Amendments	Budget as Amended	Actual	Favorable (-)Unfavorable Variance
Revenues					
Taxes	7,613.8	-16.7	7,597.1	8,179.1	582.0
Licenses & Permits	322.7	-64.5	258.2	227.1	-31.1
Fines & Penalties	108.0	-	108.0	200.0	92.0
Use of Money & Property	234.4	-	234.4	443.6	209.2
From Other Governments	224.6	-	224.6	208.0	-16.6
Chrgs for Svcs/Program Rev	573.7	81.2	654.9	486.4	-168.5
Other Revenues	3,028.2	-	3028.2	536.9	-2491.3
Total Revenues	12,105.4	-	12,105.4	10,281.1	-1,824.3
Expenditures					
General Government	3,070.4	255.2	3,325.6	2,473.7	851.9
Public Safety	9,393.8	26.3	9,420.1	8,064.0	1,356.1
Planning	778.1	49.1	827.2	597.6	229.6
Recreation	888.2	79.6	967.8	880.6	87.2
Public Works	1,675.9	78.0	1,753.9	1,614.3	139.6
Total Expenditures	15,806.4	488.2	16,294.6	13,630.2	2,664.4
Revenues Over(Under)					
Expenditures	-3,701.0	-488.2	-4,189.2	-3,349.1	840.1
Net Interfund Transfers In(Out)	1,120.0	-	1,120.0	405.7	-714.3
Revenues Over(Under)					
Expenditures, Transfers & Other Financing Sources	-2,581.0	-488.2	-3,069.2	2,943.4	125.8

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the City has invested more than \$113 million in capital assets including land, equipment, vehicles, buildings, improvements, infrastructure, rental housing and airport facilities. (See Table 4). Notable among the capital assets increase for 2007/08 was the continuing improvement of the City's infrastructure and completion of the library construction project. The City's 2008/09 budget provides for numerous public improvements, and additional capital improvement and capital equipment expenditures might be approved by the City Council, and the budget amended upon staff recommendation, as appropriate throughout the year. Many of those costs will be provided by federal, state and other grants. Additional information about the City's capital assets is presented in the notes to financial statements.

Table 4Capital Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activity		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	1,740.4	1,740.4	36,900.0	36,900.0	38,640.4	38,640.4
Buildings and Improvements	33,552.3	31,870.2	26,959.7	26,830.0	60,512.0	58,700.2
Vehicles & Equipment	4,642.0	4,320.7	183.8	168.6	4,825.8	4,489.3
Infrastructure	9,862.8	7,279.6	-	-	9,862.8	7,279.6
Totals at Historical Cost	<u>49,797.5</u>	<u>45,210.9</u>	<u>64,043.5</u>	<u>63,898.6</u>	<u>113,841.0</u>	<u>109,109.5</u>
Accumulated Depreciation	<u>-9,180.1</u>	<u>-7,728.3</u>	<u>-6,971.6</u>	<u>-6,171.7</u>	<u>-16,151.7</u>	<u>-13,900.0</u>
Net Capital Assets	<u>40,617.4</u>	<u>37,482.6</u>	<u>57,071.9</u>	<u>57,726.9</u>	<u>97,689.3</u>	<u>95,209.5</u>

Long Term Debt

At year-end the City had \$30.8 Million in bonds, notes, capital leases and compensated absences (vested benefits payable to employees) outstanding, as shown in Table 5. No new long-term debt was incurred during 2007/08, and a total of \$2,245,740 was paid against pre-existing long-term debt, including total liquidation of the 1997 Mello Roos Limited Obligation Bonds in the amount of \$1,595,000.

Table 5Long-term Debt
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bonds Payable	29,470.0	31,680.0	-	-	29,470.0	31,680.0
Notes Payable	-	-	45.6	61.0	45.6	61.0
Leases Payable	111.3	147.0	-	-	111.3	147.0
Compensated Absences	<u>1,194.5</u>	<u>1,073.9</u>	<u>-</u>	<u>-</u>	<u>1,194.5</u>	<u>1,073.9</u>
Total Long-Term Debt	<u>30,775.8</u>	<u>32,900.9</u>	<u>45.6</u>	<u>61.0</u>	<u>30,821.4</u>	<u>32,961.9</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Various economic and fiscal indicators were considered, and numerous assumptions necessarily made, when adopting the 2008/09 general fund budget. Amounts available for appropriation in the general fund 2008/09 budget include an estimated 2008/09 fund balance carry-forward of \$9.3 million, and projected 2008/09 revenues of \$13.1 million. Budgeted expenditures for 2008/09 total \$18.4 million. If 2008/09 revenues and expenditures were realized as budgeted, the City's General Fund balance will decline by about \$5 million, to \$4 million at June 30, 2009. Due to federal and state economic uncertainties, on October 14, 2008, the City Manager imposed a City-wide hiring and expenditure freeze. At mid-year, upon the City Manager's recommendations, the City Council will consider revisions to the 2008/09 budget to reflect and adjust to changing economic conditions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CITY OF MARINA

**Government-wide Financial Statements
Statement of Net Assets
June 30, 2008**

ASSETS	Governmental Activities	Business-type Activities	Totals
Cash	\$ 28,661,701	\$ 5,944,791	\$ 34,606,492
Prepaid Expenditures	760,752	1,215,089	1,975,841
Accrued Receivables	1,049,376	35,815	1,085,191
Inventory	-	51,637	51,637
Internal Balances	17,485,503	135,000	17,620,503
Notes Receivable	560,285	-	560,285
Capital Assets (net of depreciation)	40,617,360	57,071,925	97,689,285
TOTAL ASSETS	\$ 89,134,978	\$ 64,454,256	\$ 153,589,234
LIABILITIES			
Accounts Payable	\$ 1,522,083	\$ 70,729	\$ 1,592,813
Other Accrued Payables	180,413	2,779	183,192
Deposits And Other Liabilities	734,587	19,744	754,331
Internal Balances	1,940,690	15,679,813	17,620,503
Deferred Revenue	16,329,835	24,215	16,354,050
Long-Term Liabilities:			
Due Within One Year	794,836	16,500	811,336
Due In More Than One Year	29,980,921	29,106	30,010,028
TOTAL LIABILITIES	\$ 51,483,366	\$ 15,842,887	\$ 67,326,253
NET ASSETS			
Invested in capital assets, net of related debt	\$ 16,851,099	\$ 43,053,819	\$ 59,904,918
Restricted	152,116	-	152,116
Unrestricted	20,648,396	5,557,550	26,205,946
TOTAL NET ASSETS	\$ 37,651,612	\$ 48,611,369	\$ 86,262,980

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

CITY OF MARINA

**Government-wide Financial Statements
Statement of Activities
Year Ended June 30, 2008**

Functions/Programs	Operating Expenses/ Expenditures	Program Revenues		
		Charges for Services & Program Revenue	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,533,610	\$ -	\$ -	\$ -
Public Safety	8,064,044	396,903	152,665	-
Public Works	7,106,399	5,455,411	2,455	-
Planning	597,584	105,874	-	-
Redevelopment	3,119,848	3,877,578	-	-
Economic & Community Development	1,546,053	1,097,614	326,490	-
Recreation & Cultural Activities	899,845	285,321	-	-
Public Improvements	4,884,008	4,507,782	-	171,001
Debt Service	3,612,947	3,342,682	-	-
Total Governmental Activities	<u>\$ 32,364,338</u>	<u>\$ 19,069,165</u>	<u>\$ 481,610</u>	<u>\$ 171,001</u>
Business-type Activities:				
Airport & Abrams B Housing	2,825,544	3,038,164	-	-
Totals	<u><u>\$ 35,189,882</u></u>	<u><u>\$ 22,107,329</u></u>	<u><u>\$ 481,610</u></u>	<u><u>\$ 171,001</u></u>

General Revenues
Sales Tax
Property Tax
Transient Occupancy Tax
Motor Vehicle Taxes
Franchise Tax
Licenses & Permits
Fines & Penalties
Investment Earnings
Other
Total General Revenues
Increase in Net Assets - Operations
Capitalized Assets
Decrease in Long-Term Debt
Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Net Assets - Beginning as Restated
Net Assets - End of Year

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

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

Governmental Activities	Business-type Activities	Total
\$ (2,533,610)	\$ -	\$ (2,533,610)
(7,514,476)	-	(7,514,476)
(1,648,533)	-	(1,648,533)
(491,710)	-	(491,710)
757,730	-	757,730
(121,949)	-	(121,949)
(614,524)	-	(614,524)
(205,225)	-	(205,225)
(270,265)	-	(270,265)
<u>\$ (12,642,562)</u>	<u>\$ -</u>	<u>\$ (12,642,562)</u>
-	212,620	212,620
<u>\$ (12,642,562)</u>	<u>\$ 212,620</u>	<u>\$ (12,429,942)</u>
1,616,429	-	1,616,429
1,945,465	-	1,945,465
1,525,063	-	1,525,063
2,444,587	-	2,444,587
657,299	-	657,299
227,159	-	227,159
200,014	-	200,014
443,594	-	443,594
566,950	-	566,950
<u>\$ 9,626,560</u>	<u>\$ -</u>	<u>\$ 9,626,560</u>
<u>\$ (3,016,002)</u>	<u>\$ 212,620</u>	<u>\$ (2,803,382)</u>
3,134,746	129,716	3,264,462
2,125,133	-	2,125,133
<u>\$ 2,243,877</u>	<u>\$ 342,336</u>	<u>\$ 2,586,213</u>
\$ 35,426,551	\$ 48,250,218	\$ 83,676,769
(18,816)	18,816	-
<u>\$ 35,407,735</u>	<u>\$ 48,269,034</u>	<u>\$ 83,676,769</u>
<u>\$ 37,651,610</u>	<u>\$ 48,611,370</u>	<u>\$ 86,262,980</u>

CITY OF MARINA

**Balance Sheet
Governmental Funds
June 30, 2008**

	Major Funds	
ASSETS	General	Impact Fees
Cash	\$ 7,139,813	\$ 5,822,773
Prepaid Expenditures	729,594	-
Accrued Receivables	428,916	-
Due from Other Funds	1,408,149	-
Notes Receivable	-	-
TOTAL ASSETS	\$ 9,706,472	\$ 5,822,773
LIABILITIES		
Accounts Payable	\$ 561,117	\$ -
Other Accrued Payables	168,121	-
Due to Other Funds	-	-
Deposits and Other Liabilities	422,567	-
Deferred Revenue	58,634	-
TOTAL LIABILITIES	\$ 1,210,439	\$ -
EQUITY		
Fund Balances:		
Reserved	\$ -	\$ -
Unreserved	8,496,033	5,822,773
TOTAL FUND EQUITY	\$ 8,496,033	\$ 5,822,773
TOTAL LIABILITIES AND EQUITY	\$ 9,706,472	\$ 5,822,773

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

Major Funds			Non-major	Total
Development	City	Abrams B	Governmental	Governmental
Activity	Capital Projects	Bond Fund	Funds	Funds
\$ -	\$ 3,427,113	\$ 84,868	\$ 12,187,134	\$ 28,661,701
4,141	-	-	27,017	760,752
305,652	51,471	-	263,337	1,049,376
-	1,707,313	13,972,500	397,541	17,485,503
-	-	-	560,285	560,285
<u>\$ 309,793</u>	<u>\$ 5,185,897</u>	<u>\$ 14,057,368</u>	<u>\$ 13,435,314</u>	<u>\$ 48,517,617</u>
\$ 187,908	\$ 569,835	\$ -	\$ 203,223	\$ 1,522,083
4,366	-	-	7,926	180,413
450,270	75,000	-	1,415,420	1,940,690
-	-	-	312,020	734,587
-	1,707,313	13,972,500	591,388	16,329,835
<u>\$ 642,544</u>	<u>\$ 2,352,148</u>	<u>\$ 13,972,500</u>	<u>\$ 2,529,977</u>	<u>\$ 20,707,608</u>
\$ -	\$ -	\$ -	\$ -	\$ -
(332,751)	2,833,749	84,868	10,905,337	27,810,009
<u>\$ (332,751)</u>	<u>\$ 2,833,749</u>	<u>\$ 84,868</u>	<u>\$ 10,905,337</u>	<u>\$ 27,810,009</u>
<u>\$ 309,793</u>	<u>\$ 5,185,897</u>	<u>\$ 14,057,368</u>	<u>\$ 13,435,314</u>	<u>\$ 48,517,617</u>

CITY OF MARINA

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008**

Fund Balance - Total Governmental Funds (page 5) \$ 27,810,009

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

General Capital Assets	\$ 49,797,439	
Less: Accumulated Depreciation	<u>(9,180,079)</u>	40,617,360

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued Compensated Absences	(1,194,496)	
Bonds Payable	(29,470,000)	
Capital Leases	<u>(111,261)</u>	<u>(30,775,757)</u>

Net Assets of Governmental Activities (page 3) \$ 37,651,612

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

CITY OF MARINA

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

	Major Funds	
	General	Impact Fee
REVENUES		
Taxes	\$ 8,188,842	\$ -
Fines and Penalties	200,014	-
Investment Earnings	443,594	391,590
Charges for Services & Program Revenues	713,562	91,444
Other	735,102	-
Total Revenues	<u>\$ 10,281,115</u>	<u>\$ 483,034</u>
EXPENDITURES		
General Government	\$ 2,473,657	\$ -
Public Safety	8,064,045	-
Public Works	1,614,304	-
Planning	597,584	-
Redevelopment	-	-
Economic & Community Development	-	13,533
Recreation & Cultural Services	880,582	-
Public Improvements	-	-
Debt Service - Principal Retirement	-	-
Debt Service - Interest and Fees	-	-
Total Expenditures	<u>\$ 13,630,172</u>	<u>\$ 13,533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (3,349,057)</u>	<u>\$ 469,501</u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers In	\$ 465,661	\$ -
Interfund Transfers (Out)	(59,953)	(1,570,460)
Total Other Financing Sources (Uses)	<u>\$ 405,708</u>	<u>\$ (1,570,460)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (2,943,349)</u>	<u>\$ (1,100,959)</u>
FUND BALANCES - BEGINNING OF YEAR	11,439,382	6,923,732
Prior Period Adjustment	-	-
FUND BALANCES - END OF YEAR	<u>\$ 8,496,033</u>	<u>\$ 5,822,773</u>

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

Development Activity	Major Funds		Non-major Governmental Funds	Total Governmental Funds
	City Capital Projects	Abrams B Bond Fund		
\$ -	\$ -	\$ -	\$ 3,489,273	\$ 11,678,116
-	-	-	-	200,014
1,234	130,503	6,549	432,717	1,406,187
2,791,811	1,987,332	810,442	4,252,195	10,646,786
247	62	-	563,202	1,298,613
<u>\$ 2,793,292</u>	<u>\$ 2,117,897</u>	<u>\$ 816,991</u>	<u>\$ 8,737,387</u>	<u>\$ 25,229,716</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,473,657
-	-	-	-	8,064,045
-	-	-	45,063	1,659,367
-	-	-	-	597,584
-	-	-	2,052,405	2,052,405
2,514,147	-	-	1,209,380	3,737,060
-	-	-	7,275	887,857
-	3,370,009	-	2,046,951	5,416,960
-	-	255,000	1,940,000	2,195,000
-	-	549,053	861,750	1,410,803
<u>\$ 2,514,147</u>	<u>\$ 3,370,009</u>	<u>\$ 804,053</u>	<u>\$ 8,162,824</u>	<u>\$ 28,494,738</u>
<u>\$ 279,145</u>	<u>\$ (1,252,112)</u>	<u>\$ 12,938</u>	<u>\$ 574,563</u>	<u>\$ (3,265,022)</u>
\$ 170,822	\$ 2,115,949	\$ -	\$ 939,127	\$ 3,691,559
(8,470)	-	-	(1,803,656)	(3,442,539)
<u>\$ 162,352</u>	<u>\$ 2,115,949</u>	<u>\$ -</u>	<u>\$ (864,529)</u>	<u>\$ 249,020</u>
\$ 441,497	\$ 863,837	\$ 12,938	\$ (289,966)	\$ (3,016,002)
(736,616)	1,969,912	71,930	11,176,487	30,844,827
(37,632)	-	-	18,816	(18,816)
<u>\$ (332,751)</u>	<u>\$ 2,833,749</u>	<u>\$ 84,868</u>	<u>\$ 10,905,337</u>	<u>\$ 27,810,009</u>

CITY OF MARINA

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$	(3,016,002)
(revenues and other financing sources in excess of expenditures and other financing uses)		
Amounts reported for governmental activities in the Statement of Activities is Different Because:		
Capital outlay is an expenditure in the government funds financial statements, but the costs of those assets is allocated over their estimated useful lives as depreciation expense in the Statement of Activities.		
Capital Asset Acquisitions Net of Dispositions	\$	4,586,540
Depreciation Expense		(1,451,794)
		3,134,746
Repayment of long-term debt principal is an expenditure in the government funds financial statement, but the repayment reduces long-term liabilities in the statement of net assets. New capital leases are treated as revenue in governmental funds but reduce net assets. Compensated absences reduce net assets but are not included in governmental funds liabilities.		
Repayment of General Long-term Debt Principal	\$	2,245,740
Increase in Compensated Absences Liability		(120,607)
Inception of New Bonded Debt Obligations		-
		2,125,133
Change in Net Assets of Governmental Activities	\$	2,243,877

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

CITY OF MARINA

**Statement of Net Assets
Proprietary Funds
June 30, 2008**

	Airport Operating Fund	Abrams B Housing Fund	Total
ASSETS			
Cash	\$ 1,085,465	\$ 4,859,326	\$ 5,944,791
Prepaid Expenses	25,906	1,189,183	1,215,089
Accrued Receivables	35,815	-	35,815
Due from Other Funds	135,000	-	135,000
Inventory	51,637	-	51,637
Capital Assets, net	45,497,790	11,574,134	57,071,924
Total Assets	<u>\$ 46,831,613</u>	<u>\$ 17,622,643</u>	<u>\$ 64,454,256</u>
LIABILITIES			
Accounts Payable	\$ 42,243	\$ 4,272	\$ 46,515
Accrued Payables	26,994	-	26,994
Other Liabilities	43,959	-	43,959
Due to Other Funds	-	15,679,813	15,679,813
Long-term Liabilities:			
Due within One Year	16,500	-	16,500
Due in More Than One Year	29,106	-	29,106
Total Liabilities	<u>\$ 158,802</u>	<u>\$ 15,684,085</u>	<u>\$ 15,842,887</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$ -	\$ -	\$ -
Unrestricted	46,672,811	1,938,558	48,611,369
Total Net Assets	<u>\$ 46,672,811</u>	<u>\$ 1,938,558</u>	<u>\$ 48,611,369</u>

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

CITY OF MARINA

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2008**

	Airport Operating Fund	Abrams B Housing Fund	Total
OPERATING REVENUES			
Rental Income	\$ 605,576	\$ 1,725,000	\$ 2,330,576
Aviation Fuel Sales	369,144	-	369,144
Other Income	44,694	-	44,694
Total Operating Revenues	<u>\$ 1,019,414</u>	<u>\$ 1,725,000</u>	<u>\$ 2,744,414</u>
OPERATING EXPENSES			
Salaries and Benefits	\$ 290,430	\$ -	\$ 290,430
Services and Supplies	319,036	768,886	1,087,922
Purchases - Aviation Fuel	336,985	-	336,985
Repairs and Maintenance	61,285	-	61,285
Depreciation	560,437	239,465	799,902
Total Operating Expenses	<u>\$ 1,568,173</u>	<u>\$ 1,008,351</u>	<u>\$ 2,576,524</u>
OPERATING INCOME (LOSS)	<u>\$ (548,759)</u>	<u>\$ 716,649</u>	<u>\$ 167,890</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental Revenues - Cal DOT Grant	\$ -	\$ -	\$ -
Investment Earnings	71,151	222,598	293,749
Interfund Transfers In	-	-	-
Interfund Transfers Out	(249,020)	-	(249,020)
Total Nonoperating Revenues (Expenses)	<u>\$ (177,869)</u>	<u>\$ 222,598</u>	<u>\$ 44,729</u>
NET INCOME (LOSS)	\$ (726,628)	\$ 939,247	\$ 212,619
NET ASSETS - BEGINNING OF YEAR	47,250,907	999,311	48,250,218
Prior Period Adjustment	18,816	-	18,816
Contributed Capital	129,716	-	129,716
NET ASSETS - END OF YEAR	<u>\$ 46,672,811</u>	<u>\$ 1,938,558</u>	<u>\$ 48,611,369</u>

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

CITY OF MARINA

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2008**

	Airport Operating Fund	Abrams B Housing Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,010,800	\$ 1,725,000	\$ 2,735,800
Payments to Suppliers	(687,508)	(974,486)	(1,661,994)
Payments to Employees	(288,664)	-	(288,664)
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,628</u>	<u>\$ 750,514</u>	<u>\$ 785,142</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Repayments of Loans to Other Funds	\$ -	\$ (2,107,133)	\$ (2,107,133)
Loans to Other Funds(net)	(31,690)	-	(31,690)
Transfers to Other Funds	(249,020)	-	(249,020)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (280,710)</u>	<u>\$ (2,107,133)</u>	<u>\$ (2,387,843)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Long-term Debt	\$ (15,417)	\$ (257,500)	\$ (272,917)
Increase in Escrow & Replacement Reserve Accounts	\$ -	\$ -	-
Grant Revenue	-	-	-
Advances from Other funds	-	-	-
Acquisition/Purchase of Capital Assets	-	-	-
Unamortized Prepaid Loan Costs	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (15,417)</u>	<u>\$ (257,500)</u>	<u>\$ (272,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	<u>\$ 71,150</u>	<u>\$ 222,599</u>	<u>\$ 293,749</u>
Net Increase(Decrease) in Cash	\$ (190,349)	\$ (1,391,520)	\$ (1,581,869)
Cash - Beginning of Year	<u>1,275,814</u>	<u>6,250,846</u>	<u>7,526,660</u>
Cash - End of Year	<u><u>\$ 1,085,465</u></u>	<u><u>\$ 4,859,326</u></u>	<u><u>\$ 5,944,791</u></u>

(continued)

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

CITY OF MARINA

**Statement of Cash Flows (Continued)
Proprietary Fund
Year Ended June 30, 2008**

	Airport Operating Fund	Abrams B Housing Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (548,759)	\$ 716,649	\$ 167,890
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation & Amortization Expense	560,437	266,199	826,636
Change in Assets and Liabilities:			
Prepaid Expenses	4,540	(234,706)	(230,166)
Accounts Receivable	10,596	-	10,596
Inventory	(8,474)	-	(8,474)
Accounts & Accrued Payables	(25,937)	2,372	(23,565)
Deferred Revenue & Deposits	42,225	-	42,225
Net Cash Provided (Used) by Operating Activities	\$ 34,628	\$ 750,514	\$ 785,142
			(concluded)

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

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

1 - The Reporting Entity

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

These financial statements present the financial status of the City and its component unit. The component unit discussed in the following paragraph is included in the City's reporting entity because the City is financially accountable for its operations.

The Marina Redevelopment Agency was established as a separate legal entity pursuant to state law to eliminate economic, physical, visual and social blight in the City.

Although the component unit is legally separate from the City, it is reported on a blended basis as part of the primary government because the City and Agency have a shared governing body. The component unit financial statements may be obtained from the City.

2 - Significant Accounting Policies

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

Basis of Presentation

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

that are identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including taxes, are presented as general revenue.

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

Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Measurement Focus and Basis of Accounting

Measurement focus refers to *what* transactions are reported in a fund. Basis of accounting refers to *when* revenues and expenditures, and the related assets and

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

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

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for debt service payments, and expenditures related to claims, judgments and compensated absences, which are recorded when payment is due.

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial

statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Use of Estimates

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

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Cash and Deposits

Cash and deposits are reported as cash and cash equivalents since all cash deposits are available for immediate withdrawal without interest or principal penalty. Cash equivalents (Investments in the California Local Agency Investment Fund - LAIF) are stated at cost, which approximates fair value.

Property Taxes

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

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

The City participates in an alternative method of distribution of property tax levies and assessments known as the Teeter Plan. The State Revenue and Taxation Code allows counties to distribute secured real property assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year revert to Monterey County.

Receivables and Payables

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

Long-term loans receivable are offset by deferred revenue because the resources are not available for appropriation.

Balances representing lending/borrowing transactions between funds at the end of the fiscal year are reported as due to/due from other funds.

Allowance for Doubtful Accounts

CITY OF MARINA
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The City recognizes bad debts, when and if a bad debt arises, using the direct write-off method. While accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts, the effect of using the direct write-off method does not differ materially from the results that would be obtained if the allowance method were followed.

Inventories and Prepaid Items

The aviation fuel inventory held by the proprietary fund is stated at cost. Materials and supplies used by governmental funds are recorded as expenditures at the time they are purchased or obtained. Occasionally, payments to vendors relate to costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at historical cost, or at estimated replacement cost where original cost was not available. Contributed capital assets are valued at estimated fair market value on the date contributed. Assets acquired by capital lease are recorded as capital assets at cost.

The City capitalizes assets whose acquisition or construction cost equals or exceeds:

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

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

Compensated Absences

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

Upon termination, employees are paid 100% of accrued vacation leave and compensatory time off. Personal Time Off (PTO) and sick leave is paid in accordance with the applicable employee Memorandum of Understanding (MOU) or individual employment contract. A long-term liability of \$1,194,496 for accrued benefits was recorded at June 30, 2008.

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Notes to Financial Statements
June 30, 2008

Deferred Revenue

Deferred revenues arise when a future revenue has been recorded as a receivable or received in cash, but does not meet the measurable and available criteria for recognition in the current period. Deferred revenue also arises when cash is received before the City has a legal claim to it; for instance, when rents, leases, business licenses or other fees are paid in advance by the user. Total deferred revenue of \$16,354,050 at June 30, 2008, comprises: 1) first-time homebuyer, business loans, housing rehabilitation loans of \$150,000 and \$326,631 and \$83,654; 2) advance rent and other payments of \$88,952; 3) an interfund note receivable in the amount of \$13,972,500 to repay the Abrams B Multifamily Housing Revenue Bonds; and 4) an interfund receivable representing the balance of the purchase price to acquire a leasehold interest in the Abrams B Apartments in the amount of \$1,707,313; and a long-term loan to Fort Ord Housing Authority of \$25,000. Principal and interest payments on the deferred loans will be recorded as revenue when received, and deferred user charges will be recognized in the period to which they apply.

Long -Term Obligations

In the government-wide financial statements and proprietary fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Encumbrances

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

Fund Equity

The difference between the assets and liabilities of a governmental fund is reported as fund balance, or fund equity. Unreserved fund balance represents amounts considered available for new spending. Reservations of fund balance in governmental funds represent amounts that are not available for appropriation, due either to third-party restrictions or self-imposed budgetary limitations. In accordance with Generally Accepted Accounting Principles, fund balance reservations are not reported for third party restrictions unless the restriction is narrower than the purpose of the fund itself. (See also Note 10)

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

3 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

Deficit Fund Balance

At June 30, 2008, the following funds had a deficit fund balance:

<u>Fund</u>	<u>Deficit Balance</u>
Development Activity	\$332,751
Streets Fund	11,623
Crescent Heights Assessment District	470
Cypress Cove Assessment District	4,789
RDA Project Area #3 Housing Fund	38,845

4 - Cash and Deposits

Cash and deposits at June 30, 2008 comprise the following:

Cash Deposits	\$ 3,669,695
Certificates of Deposit	100,000
Cash with Fiscal Agents	3,572,289
Imprest Cash	5,800
Local Agency Investment Fund	<u>27,258,708</u>
Total Cash and Deposits	<u>\$ 34,606,492</u>

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The City follows the practice of pooling cash of all funds except cash required to be held by outside fiscal agents under the provisions of bond indentures. Interest earned on pooled cash is allocated to the various funds based on average balances. Earnings on cash held by fiscal agents are credited to the related fund.

Cash Defined

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

Cash Deposits and Certificates of Deposit

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

Cash with Fiscal Agent

Deposits of debt proceeds and related cash held by fiscal agents are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Deposits in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. City deposits in this pool are reported in the accompanying financial statements at cost. Deposits may be withdrawn without interest or principal penalties and are therefore considered by the City to be a cash equivalent and not an investment.

5 - Notes Receivable

Notes receivable of \$476,631 in the CDBG Fund include small business loans made for the implementation of a business assistance program and first-time homebuyer

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Notes to Financial Statements
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assistance loans that bear annual interest rates ranging from 5% to 6%, with various repayment plans.

CDBG Housing Fund and the RDA Project Area #1 Housing Fund notes receivable of \$83,654 consist of loans made for low-income housing purchase and rehabilitation. The loans are collateralized by deeds of trust on the purchased or improved properties, bear annual interest rates ranging from 3% to 7%, and require no repayment until the transfer of property title, or the loan reaches maturity.

6 - Capital Assets

Governmental (General) Capital Assets changed as follows:

<u>Capital Assets</u>	<u>July 1, 2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2008</u>
Land	\$ 1,740,393	\$ -	\$ -	\$ 1,740,393
Buildings and Improvements	31,870,274	1,682,017	-	33,552,291
Equipment	4,320,661	321,366	-	4,642,027
Infrastructure	<u>7,279,571</u>	<u>2,583,157</u>	<u>-</u>	<u>9,862,728</u>
Total Capital Assets	45,210,899	4,586,540	-	49,797,439
Less Accumulated Depreciation	<u>(7,728,285)</u>	<u>(1,451,794)</u>	<u>-</u>	<u>(9,180,079)</u>
Capital Assets (net)	<u>\$37,482,614</u>	<u>\$ 3,134,746</u>	<u>\$ -</u>	<u>\$40,617,360</u>

Business-activity Capital Assets changed as follows:

<u>Airport/ Abrams B Housing</u>	<u>July 1, 2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2008</u>
Land	\$ 36,900,000	\$ -	\$ -	-\$ 36,900,000
Buildings	7,917,780	-	-	7,917,780
Improvements	18,912,188	129,717	-	19,041,905
Equipment	<u>168,637</u>	<u>15,179</u>	<u>-</u>	<u>183,816</u>
Total Capital Assets	63,898,605	144,896	-	64,043,501
Less Accumulated Depreciation	<u>(6,171,675)</u>	<u>(799,901)</u>	<u>-</u>	<u>-</u>
Capital Assets (net)	<u>\$ 57,726,930</u>	<u>\$ (655,005)</u>	<u>\$ -</u>	<u>-\$ 57,071,925</u>

7 - Long-Term Debt

Following are the long-term debt issues outstanding at June 30, 2008, including a description of each issue:

General Obligation Bonds

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

Balance Due \$560,000

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General Obligation Bonds

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

Balance Due \$7,990,000

General Obligation Bonds

2007 General Obligation Bonds – Authorized and issued April 2007 as part of a larger offering facilitated by the California Statewide Communities Development Authority, due in annual installments of \$15,000 to \$625,000 plus accrued interest through June 2019, for the purpose of refinancing an unfunded CalPERS pension liability. Interest is payable semi-annually in June and December at 5.21% to 5.3% per annum.

Balance Due \$4,300,000

Tax Allocation Bonds

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

Balance Due \$ 610,000

Tax Allocation Bonds

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

Balance Due \$ 500,000

Limited Obligation Improvement Bonds

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

Balance Due \$ 525,000

Limited Obligation Improvement Bonds

2001 Refunded Marina Landing Assessment District Bonds - Authorized and issued July 2001, due in annual installments of \$108,000 to \$190,000 plus accrued interest through

CITY OF MARINA
Notes to Financial Statements
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September 2013, for the purpose of refunding the 1993 Marina Landing Assessment District Limited Obligation Improvement Bonds used for the purpose of financing the construction of improvements and the acquisition of certain rights of way. Interest is payable semi-annually in March and September at 4% to 5.75% per annum.

Balance Due \$ 990,000

Revenue Bonds

2006 Multifamily Housing Revenue Bonds - Authorized and issued November 2006, due in annual installments of \$110,000 to \$160,000 through May 2016, then a lump-sum redemption of \$10,275,000 on November 15, 2036, principal and interest, for the purpose of financing the acquisition of the Abrams B Apartments. Interest is payable semi-annually in May and November at 3.45% to 3.95% per annum.

Balance Due \$ 13,995,000

Commercial Loan

Enterprise Fund Note Payable - Authorized and issued January 2001, due in monthly installments of \$1,649 principal and interest, through January 2011, for the purpose of financing Marina Municipal Airport Improvements. The index used for the variable interest rate is the Wall Street Journal Prime as published in the Western Edition.

Balance Due \$ 45,606

Current Year Liquidations

2003 Mello-Roos Community Facilities District (Marina Dunes Resort Public Improvements) Special Tax Bonds totaling \$1,595,000 were liquidated in full on September 14, 2007, upon sale of the underlying property.

Prior-Year Defeasances

In 1996 and 1998, the City defeased the 1989 General Obligation Bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

In 1996 and 2002, the Redevelopment Agency defeased the 1990 Tax Allocation Bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

In 1999, the City defeased the 1994 Marina Greens Business Park Limited Obligation Improvement Bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's

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financial statements.

In 2001, the City defeased the 1993 Marina Landing Assessment District Limited Obligation Improvement Bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

In June 2003, the City defeased the 1997 Marina Dunes Mello-Roos Limited Obligation Improvement Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust assets and liabilities are not included in the City's financial statements.

General Long-Term Debt changed as follows:

	July 1, 2007	Additions	Decreases	June 30, 2008
General Obligation Bonds	\$27,150,000	\$ -	\$ 305,000	\$ 26,845,000
Tax Allocation Bonds	1,235,000	-	125,000	1,110,000
Limited Obligation Bonds	<u>3,295,000</u>	-	<u>1,780,000</u>	<u>1,515,000</u>
Sub-total Bonded Debt	31,680,000	-	2,210,000	29,470,000
Capital Lease Obligations	147,001	-	35,740	111,261
Accrued Compensated Absences	<u>1,073,889</u>	<u>120,607</u>	-	<u>1,194,496</u>
Totals	<u>\$32,900,890</u>	<u>\$ 120,607</u>	<u>\$2,245,740</u>	<u>\$ 30,775,757</u>

Annual principal and interest requirements on long-term debt outstanding at June 30, 2008, not including lease obligations and compensated absences, are as follows:

Year Ending June 30,	General Obligation Bonds	Tax Allocation Bonds	Limited Obligation Improvement Payable*	Notes	Total
2009	\$ 1,755,087	\$ 178,445	\$ 276,862	\$ 19,788	\$ 2,230,182
2010	1,769,493	177,562	275,823	19,788	2,242,666
2011	1,801,595	181,350	278,660	11,543	2,273,148
2012	1,811,024	179,808	280,513	-	2,271,345
2013	1,842,737	46,125	276,550	-	2,165,412
2014-2018	8,549,488	221,375	441,312	-	9,212,175
2019-2022	5,438,375	223,825	-	-	5,662,200
2024-2028	5,528,277	218,912	-	-	5,747,189
2029-2033	5,825,318	137,113	-	-	5,962,431
2034-2037	<u>15,478,982</u>	-	-	-	<u>15,478,982</u>
Subtotal	49,800,376	1,564,515	1,829,720	51,119	53,245,730
Less Interest	<u>(22,955,376)</u>	<u>(454,515)</u>	<u>(314,720)</u>	<u>(5,513)</u>	<u>(23,730,124)</u>
Principal	<u>\$ 26,845,000</u>	<u>\$ 1,110,000</u>	<u>\$ 1,515,000</u>	<u>\$ 45,606</u>	<u>\$ 29,515,606</u>

*Estimated - interest rates and payments are adjusted each year

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

8 - Capital Leases

A schedule of future minimum lease payments under capital leases, together with the present value of the minimum lease payments at June 30, 2008 follows:

<u>Year Ending June 30</u>	<u>Long-Term Debt</u>
2009	\$ 26,234
2010	26,234
2011	26,234
2012	26,234
2013	<u>26,233</u>
Total Lease Payments	\$131,168
Less Interest	<u>(19,907)</u>
Principal Portion of Future Lease Payments	<u>\$ 111,261</u>

9 - Interfund Transactions

Interfund Loans

Interfund loans are loans between funds that are expected to be repaid within a reasonable time. A summary of interfund loans at June 30, 2008 follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,408,149	\$ -
Conveyance	397,541	-
Development Activity	-	450,270
Streets Fund	-	3,848
Assessment Districts	-	4,031
MRA Project Area #1 Revolving	-	248,514
MRA Project Area #2 Revolving	-	305,000
MRA Project Area #2 Housing	-	40,000
MRA Project Area #3 Revolving	-	454,027
MRA Project Area #3 Housing	-	360,000
City Capital Projects	1,707,313	75,000
Debt Service Funds	13,972,500	-
Proprietary Funds	<u>135,000</u>	<u>15,679,813</u>
Total Interfund Loans	<u>\$ 17,620,503</u>	<u>\$17,620,503</u>

Interfund Transfers

CITY OF MARINA
Notes to Financial Statements
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Interfund transfers are transfers of cash between funds without the requirement of repayment. The following summarizes interfund transfers as of June 30, 2008:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 465,661	\$ 59,953
Special Revenue Funds	713,841	3,375,442
Capital Projects Funds	2,278,135	-
Debt Service Funds	233,922	7,143
Proprietary Fund	-	249,021
	<u>\$ 3,691,559</u>	<u>\$ 3,691,559</u>

10 - Reservations and Designations of Fund Balances

Governmental funds report reservations of year-end fund balance for amounts that are not available for appropriation due to legal restrictions or because certain assets, such as supplies inventory, represent unspendable resources. The portion of fund balance not meeting the criteria for reservation is unreserved and available for spending in the subsequent year. All or part of unreserved fund balance may be designated to represent management's informal plan for future use of available resources. While no portion of the City of Marina's general fund balance meets the criteria for reservation, the following designations of fund balances were recommended by the City manager and adopted by the City Council for the June 30, 2008 year-end general fund balance:

Reserve (dedication) for Expenditures	\$3,293,011
Reserve (dedication pursuant to Resolution 2007-29)	4,000,000
Reserve (dedication) for Working Capital	1,317,204
Reserve (dedication) for Contingencies	250,000
Reserve (designated) for General Plan	<u>204,234</u>
Total	<u>\$9,064,449</u>

Note: since the general fund balance at June 30, 2008, is \$8,496,033, the entire amounts shown above cannot be designated; however, they are disclosed here for informational purposes with respect to management plans, and have been recorded in the general ledger for accounting purposes. Since, according to Generally Accepted Accounting Principles, these amounts represent designations rather than reserves, they are not reported in the financial statements as reserves.

11 - Defined Benefit Pension Plan

Plan Description

The City of Marina contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan.

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PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Status and Progress

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

Annual Pension Cost

The City's annual employer pension cost of \$1,475,034 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included: (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary from 3.25% to 14.45% depending on age, service and type of employment, (c) an inflation rate of 3.00%, and (d) a payroll growth rate of 3.25%.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$1,145,038	100%	\$ 0
6/30/07	1,184,058	100%	0
6/30/08	1,475,034	100%	0

Plan Actuarial Value and Funding Progress

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

Miscellaneous Plan

CITY OF MARINA
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Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.9%
2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%
2007	2,611,746,790	2,391,434,447	220,312,343	91.6%	665,522,859	33.1%

Public Safety Plan

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$4,270,573,982	\$3,577,742,166	\$692,831,816	83.8%	\$476,089,674	145.5%
2004	5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%
2005	6,367,049,264	5,295,150,375	1,071,898,889	83.2%	664,147,796	161.4%
2006	7,278,049,834	6,102,615,567	1,175,434,267	83.9%	754,730,438	155.7%
2007	7,986,055,176	6,826,599,459	1,159,455,717	85.5%	831,607,658	139.4%

12 - Post-Retirement Health Care Benefits

The City sponsors health care benefits to certain retired employees until they become eligible for Medicare Benefits. Employees of the City may become eligible for these benefits when they reach normal retirement age while working for the City. The City recognizes the cost of providing these benefits by recording the monthly insurance premiums as expenditures in the appropriate fund(s). Post-Retirement benefits paid by the City for the year totaled \$6,290.

13 - Deferred Compensation Plan

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

14 - Commitments and Contingencies

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

Contingent Liabilities

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

Contingent Note Receivable and Payable

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

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

Litigation

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

15 - Risk Management

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

The City is assessed a contribution to cover claims, operating costs and claim settlement

CITY OF MARINA
Notes to Financial Statements
June 30, 2008

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

The City currently reports liability risk management activities in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Workers compensation insurance costs are allocated to various departments proportionate to their total payroll. During the year ended June 30, 2008, the City paid a total of \$727,809 to MBASIA for insurance coverage: \$629,263 and \$98,546 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General and Other Major Funds
Year Ended June 30, 2008**

	GENERAL FUND			Variance to Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 7,613,791	\$ 7,597,058	\$ 8,179,069	\$ 582,011
Licenses and Permits	322,700	258,200	227,159	(31,041)
Fines and Penalties	108,046	108,046	200,014	91,968
Use of Property - Investment Earnings & Rents	234,415	234,415	443,594	209,179
From Other Governments	224,579	224,579	207,957	(16,622)
Charges for Services & Program Revenue	573,700	654,933	486,403	(168,530)
Other Revenue	3,028,158	3,028,158	536,919	(2,491,239)
Total Revenues	<u>\$ 12,105,389</u>	<u>\$ 12,105,389</u>	<u>\$ 10,281,115</u>	<u>\$ (1,824,274)</u>
EXPENDITURES				
General Government	\$ 3,070,408	\$ 3,325,580	\$ 2,473,657	\$ 851,923
Public Safety	9,393,837	9,420,097	8,064,045	1,356,052
Public Works	1,675,907	1,753,926	1,614,304	139,622
Planning	778,124	827,195	597,584	229,611
Redevelopment	-	-	-	-
Debt Service	-	-	-	-
Economic & Community Development	-	-	-	-
Recreation & Cultural Services	888,174	967,774	880,582	87,192
Public Improvements	-	-	-	-
Total Expenditures	<u>\$ 15,806,450</u>	<u>\$ 16,294,572</u>	<u>\$ 13,630,172</u>	<u>\$ 2,664,400</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (3,701,061)</u>	<u>\$ (4,189,183)</u>	<u>\$ (3,349,057)</u>	<u>\$ 840,126</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers In	\$ 1,120,000	\$ 1,120,000	\$ 465,661	\$ (654,339)
Interfund Transfers Out	-	-	(59,953)	(59,953)
Total Other Financing Sources (Uses)	<u>\$ 1,120,000</u>	<u>\$ 1,120,000</u>	<u>\$ 405,708</u>	<u>\$ (714,292)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (2,581,061)</u>	<u>\$ (3,069,183)</u>	<u>\$ (2,943,349)</u>	<u>\$ 125,834</u>
FUND BALANCE - BEGINNING OF YEAR	12,608,484	12,608,484	11,439,382	(1,169,102)
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 10,027,423</u></u>	<u><u>\$ 9,539,301</u></u>	<u><u>\$ 8,496,033</u></u>	<u><u>\$ (1,043,268)</u></u>

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

Impact Fee Fund				Development Activity Fund			
Original Budget	Final Budget	Actual	Variance to Final Budget Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance to Final Budget Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	391,590	391,590	-	-	1,234	1,234
-	-	91,444	91,444	6,744,808	6,714,460	2,791,811	(3,922,649)
-	-	-	-	-	-	247	247
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,034</u>	<u>\$ 483,034</u>	<u>\$ 6,744,808</u>	<u>\$ 6,714,460</u>	<u>\$ 2,793,292</u>	<u>\$ (3,921,168)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	19,000	13,533	5,467	6,744,915	6,974,915	2,514,147	4,460,768
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 19,000</u>	<u>\$ 13,533</u>	<u>\$ 5,467</u>	<u>\$ 6,744,915</u>	<u>\$ 6,974,915</u>	<u>\$ 2,514,147</u>	<u>\$ 4,460,768</u>
\$ -	\$ (19,000)	\$ 469,501	\$ 488,501	\$ (107)	\$ (260,455)	\$ 279,145	\$ 539,600
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,822	\$ 170,822	\$ -
-	(1,570,460)	(1,570,460)	-	-	-	(8,470)	-
<u>\$ -</u>	<u>\$ (1,570,460)</u>	<u>\$ (1,570,460)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,822</u>	<u>\$ 162,352</u>	<u>\$ -</u>
\$ -	\$ (1,589,460)	\$ (1,100,959)	\$ 488,501	\$ (107)	\$ (89,633)	\$ 441,497	\$ 539,600
6,853,084	6,853,084	6,923,732	70,648	(164,655)	(164,655)	(736,616)	(571,961)
-	-	-	-	-	-	(37,632)	(37,632)
<u>\$ 6,853,084</u>	<u>\$ 5,263,624</u>	<u>\$ 5,822,773</u>	<u>\$ 559,149</u>	<u>\$ (164,762)</u>	<u>\$ (254,288)</u>	<u>\$ (332,751)</u>	<u>\$ (69,993)</u>

(continued)

CITY OF MARINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General and Other Major Funds
Year Ended June 30, 2008**

	<u>City Capital Projects Fund</u>			Variance to Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Fines and Penalties	-	-	-	-
Investment Earnings	-	-	130,503	130,503
From Other Governments	-	-	-	-
Charges for Services & Program Revenues	-	4,677,694	1,987,332	(2,690,362)
Other Revenue	-	62	62	-
Total Revenues	<u>\$ -</u>	<u>\$ 4,677,756</u>	<u>\$ 2,117,897</u>	<u>\$ (2,559,859)</u>
EXPENDITURES				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-
Public Works	-	-	-	-
Planning	-	-	-	-
Redevelopment	-	-	-	-
Debt Service	-	-	-	-
Economic & Community Development	-	-	-	-
Recreation & Cultural Services	-	-	-	-
Public Improvements	-	9,233,259	3,370,009	5,863,250
Total Expenditures	<u>\$ -</u>	<u>\$ 9,233,259</u>	<u>\$ 3,370,009</u>	<u>\$ 5,863,250</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (4,555,503)</u>	<u>\$ (1,252,112)</u>	<u>\$ 3,303,391</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers In	\$ -	\$ 2,265,950	\$ 2,115,949	\$ (150,001)
Interfund Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 2,265,950</u>	<u>\$ 2,115,949</u>	<u>\$ (150,001)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (2,289,553)</u>	<u>\$ 863,837</u>	<u>\$ 3,153,390</u>
FUND BALANCE - BEGINNING OF YEAR	-	(109,210)	1,969,912	2,079,122
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ (2,398,763)</u></u>	<u><u>\$ 2,833,749</u></u>	<u><u>\$ 5,232,512</u></u>

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

Abrams B Bond Fund

Original Budget	Final Budget	Actual	Variance to Final Budget Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	6,549	6,549
-	-	-	-
820,131	810,712	810,442	(270)
-	-	-	-
<u>\$ 820,131</u>	<u>\$ 810,712</u>	<u>\$ 816,991</u>	<u>\$ 6,279</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
798,373	794,053	804,053	(10,000)
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 798,373</u>	<u>\$ 794,053</u>	<u>\$ 804,053</u>	<u>\$ (10,000)</u>
<u>\$ 21,758</u>	<u>\$ 16,659</u>	<u>\$ 12,938</u>	<u>\$ (3,721)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,758	\$ 16,659	\$ 12,938	\$ (3,721)
71,930	71,930	71,930	-
-	-	-	-
<u>\$ 93,688</u>	<u>\$ 88,589</u>	<u>\$ 84,868</u>	<u>\$ (3,721)</u>
			(concluded)

CITY OF MARINA

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

	Special Revenue Funds					
	CDBG	Technology Cluster	Streets	Special Projects	National Parks Recreation Services	Conveyance
ASSETS						
Cash	\$ 406,884	\$ 22,811	\$ -	\$ 266,011	\$ 866,961	\$ 2,395,628
Prepaid Expenditures	-	-	-	-	-	-
Accrued Receivables	-	2,590	-	-	1,600	225,000
Due from Other Funds	-	-	-	-	-	397,541
Notes Receivable	476,631	-	-	-	-	-
TOTAL ASSETS	\$ 883,515	\$ 25,401	\$ -	\$ 266,011	\$ 868,561	\$ 3,018,169
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 36,587	\$ 9,535	\$ 7,775	\$ -	\$ -	\$ 58,461
Accrued Payables	-	-	-	-	-	-
Due to Other Funds	-	-	3,848	-	-	-
Other Liabilities	-	13,250	-	-	-	-
Deferred Revenue	476,631	-	-	-	6,103	25,000
TOTAL LIABILITIES	\$ 513,218	\$ 22,785	\$ 11,623	\$ -	\$ 6,103	\$ 83,461
FUND BALANCES						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	370,297	2,616	(11,623)	266,011	862,458	2,934,708
TOTAL FUND BALANCES	\$ 370,297	\$ 2,616	\$ (11,623)	\$ 266,011	\$ 862,458	\$ 2,934,708
TOTAL LIABILITIES AND FUND BALANCES	\$ 883,515	\$ 25,401	\$ -	\$ 266,011	\$ 868,561	\$ 3,018,169

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

Special Revenue Funds							
PEG	CDBG Housing	Marina Woods Ass'm't District	Seabreeze Ass'm't District	Monterey Bay Estates Ass'm't District	Crescent Heights Ass'm't District	Cypress Cove II Ass'm't District	Eastridge Estates Ass'm't District
\$ 134,284	\$ 612,050	\$ 1,237	\$ 14,757	\$ 10,073	\$ -	\$ -	\$ 6,548
-	-	-	-	-	-	-	-
22,406	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	76,500	-	-	-	-	-	-
<u>\$ 156,690</u>	<u>\$ 688,550</u>	<u>\$ 1,237</u>	<u>\$ 14,757</u>	<u>\$ 10,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,548</u>
\$ 22,746	\$ -	\$ 60	\$ 646	\$ 2,595	\$ -	\$ 1,228	\$ 308
-	-	-	-	-	-	-	-
-	-	-	-	-	470	3,561	-
-	-	-	-	-	-	-	-
-	76,500	-	-	-	-	-	-
<u>\$ 22,746</u>	<u>\$ 76,500</u>	<u>\$ 60</u>	<u>\$ 646</u>	<u>\$ 2,595</u>	<u>\$ 470</u>	<u>\$ 4,789</u>	<u>\$ 308</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
133,944	612,050	1,177	14,111	7,478	(470)	(4,789)	6,240
<u>\$ 133,944</u>	<u>\$ 612,050</u>	<u>\$ 1,177</u>	<u>\$ 14,111</u>	<u>\$ 7,478</u>	<u>\$ (470)</u>	<u>\$ (4,789)</u>	<u>\$ 6,240</u>
<u>\$ 156,690</u>	<u>\$ 688,550</u>	<u>\$ 1,237</u>	<u>\$ 14,757</u>	<u>\$ 10,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,548</u>

(continued)

CITY OF MARINA

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

	Special Revenue Funds							Capital Projects Funds	
	Redevelopment Agency							Airport	Park Facilities
	Project Area #3 Operating	Project Area #3 Housing	Project Area #3 Property	Project Area #2 Housing	Project Area #1 Operating	Project Area #2 Operating	Project Area #1 Housing		
ASSETS									
Cash	\$ 1,702,351	\$ 321,389	\$ 223,004	\$ 108,341	\$ 1,057,103	\$ 320,155	\$ 1,676,722	\$ 20,203	\$ 535,029
Prepaid Expenditures	8,192	-	-	-	2,658	-	1,680	-	-
Accrued Receivables	-	-	11,741	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	7,154	-	-
TOTAL ASSETS	\$ 1,710,543	\$ 321,389	\$ 234,745	\$ 108,341	\$ 1,059,761	\$ 320,155	\$ 1,685,556	\$ 20,203	\$ 535,029
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ 34,674	\$ 234	\$ 1,849	\$ -	\$ 10,944	\$ 1,693	\$ 2,155	\$ 11,698	\$ -
Accrued Payables	6,399	-	-	-	1,527	-	-	-	-
Due to Other Funds	454,027	360,000	-	40,000	248,514	305,000	-	-	-
Other Liabilities	82,955	-	5,000	-	210,815	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	7,154	-	-
TOTAL LIABILITIES	\$ 578,055	\$ 360,234	\$ 6,849	\$ 40,000	\$ 471,800	\$ 306,693	\$ 9,309	\$ 11,698	\$ -
FUND BALANCES									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,132,488	(38,845)	227,896	68,341	587,961	13,462	1,676,247	8,505	535,029
TOTAL FUND BALANCE	\$ 1,132,488	\$ (38,845)	\$ 227,896	\$ 68,341	\$ 587,961	\$ 13,462	\$ 1,676,247	\$ 8,505	\$ 535,029
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,710,543	\$ 321,389	\$ 234,745	\$ 108,341	\$ 1,059,761	\$ 320,155	\$ 1,685,556	\$ 20,203	\$ 535,029

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

Debt Service Funds

Library Bonds	City General Obligation Bonds	Library Construction	Public Safety				Totals
			Airport Tax Allocation Bonds	Bldg Tax Allocation Bonds	Marina Landing Bonds	Marina Greens Bonds	
\$ 156,494	\$ 291,629	\$ 381,729	\$ -	\$ 134,864	\$ 328,863	\$ 192,014	\$ 12,187,134
-	-	-	14,487	-	-	-	27,017
-	-	-	-	-	-	-	263,337
-	-	-	-	-	-	-	397,541
-	-	-	-	-	-	-	560,285
<u>\$ 156,494</u>	<u>\$ 291,629</u>	<u>\$ 381,729</u>	<u>\$ 14,487</u>	<u>\$ 134,864</u>	<u>\$ 328,863</u>	<u>\$ 192,014</u>	<u>\$ 13,435,314</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35	\$ -	\$ 203,223
-	-	-	-	-	-	-	7,926
-	-	-	-	-	-	-	1,415,420
-	-	-	-	-	-	-	312,020
-	-	-	-	-	-	-	591,388
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 2,529,977</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
156,494	291,629	381,729	14,487	134,864	328,828	192,014	10,905,337
<u>\$ 156,494</u>	<u>\$ 291,629</u>	<u>\$ 381,729</u>	<u>\$ 14,487</u>	<u>\$ 134,864</u>	<u>\$ 328,828</u>	<u>\$ 192,014</u>	<u>\$ 10,905,337</u>
<u>\$ 156,494</u>	<u>\$ 291,629</u>	<u>\$ 381,729</u>	<u>\$ 14,487</u>	<u>\$ 134,864</u>	<u>\$ 328,863</u>	<u>\$ 192,014</u>	<u>\$ 13,435,314</u>

(concluded)

CITY OF MARINA

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

	Special Revenue Funds						
	CDBG	Technology Cluster	Streets	Special Projects	National Parks Recreation Services	Conveyance	PEG
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	8,811	879	8,395	-	41,850	135,371	7,941
Charges for Services & Program Revenues	407,213	126,637	359,646	-	152,318	1,385,000	91,330
Other Revenue	-	-	-	-	-	15,048	-
Total Revenues	\$ 416,024	\$ 127,516	\$ 368,041	\$ -	\$ 194,168	\$ 1,535,419	\$ 99,271
EXPENDITURES							
Public Works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment	-	-	-	-	-	-	-
Economic & Community Development	486,266	138,954	-	-	-	477,322	92,494
Recreation & Cultural Services	-	-	-	-	7,275	-	-
Public Improvements	-	-	547,296	-	-	-	-
Debt Service - Principal Retirement	-	-	-	-	-	-	-
Debt Service - Interest & Fees	-	-	-	-	-	-	-
Total Expenditures	\$ 486,266	\$ 138,954	\$ 547,296	\$ -	\$ 7,275	\$ 477,322	\$ 92,494
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (70,242)	\$ (11,438)	\$ (179,255)	\$ -	\$ 186,893	\$ 1,058,097	\$ 6,777
OTHER FINANCING SOURCES (USES)							
Interfund Transfers In	\$ 16,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Transfers(Out)	(16,288)	-	(7,000)	-	(11,988)	(683,213)	-
Other	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (7,000)	\$ -	\$ (11,988)	\$ (683,213)	\$ -
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (70,242)	\$ (11,438)	\$ (186,255)	\$ -	\$ 174,905	\$ 374,884	\$ 6,777
Prior Period Adjustment	-	-	-	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	440,539	14,054	174,632	266,011	687,553	2,559,824	127,167
FUND BALANCES - END OF YEAR	\$ 370,297	\$ 2,616	\$ (11,623)	\$ 266,011	\$ 862,458	\$ 2,934,708	\$ 133,944

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

Special Revenue Funds

Redevelopment Agency

CDBG Housing	Marina Woods	Seabreeze	Monterey Bay Estates	Crescent Heights	Cypress Cove II	Eastridge Estates	Redevelopment Agency				
	Ass'm't District	Ass'm't District	Ass'm't District	Ass'm't District	Ass'm't District	Ass'm't District	Project Area #3 Operating	Project Area #3 Housing	Project Area #3 Property	Project Area #2 Housing	Project Area #1 Operating
\$ -	\$ 3,428	\$ 3,677	\$ 6,435	\$ 982	\$ 19,403	\$ 1,121	\$ 1,416,602	\$ -	\$ -	\$ -	\$ 1,134,511
32,919	11	953	874	-	110	426	33,907	3,797	2,893	1,935	18,581
1,244	-	-	-	-	-	-	-	-	77,593	-	-
-	-	-	-	-	-	-	505,806	-	-	-	29,139
<u>\$ 34,163</u>	<u>\$ 3,439</u>	<u>\$ 4,630</u>	<u>\$ 7,309</u>	<u>\$ 982</u>	<u>\$ 19,513</u>	<u>\$ 1,547</u>	<u>\$ 1,956,315</u>	<u>\$ 3,797</u>	<u>\$ 80,486</u>	<u>\$ 1,935</u>	<u>\$ 1,182,231</u>
\$ -	\$ 1,620	\$ 5,825	\$ 13,473	\$ 837	\$ 21,027	\$ 2,281	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	1,003,315	111,625	31,523	23,145	618,444
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,620</u>	<u>\$ 5,825</u>	<u>\$ 13,473</u>	<u>\$ 837</u>	<u>\$ 21,027</u>	<u>\$ 2,281</u>	<u>\$ 1,003,315</u>	<u>\$ 111,625</u>	<u>\$ 31,523</u>	<u>\$ 23,145</u>	<u>\$ 618,444</u>
\$ 34,163	\$ 1,819	\$ (1,195)	\$ (6,164)	\$ 145	\$ (1,514)	\$ (734)	\$ 953,000	\$ (107,828)	\$ 48,963	\$ (21,210)	\$ 563,787
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,321	\$ -	\$ 16,508	\$ -
(1,853)	(326)	(1,739)	(2,871)	(415)	(2,751)	(625)	(346,589)	(117,249)	-	(17,931)	(460,214)
-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ (1,853)</u>	<u>\$ (326)</u>	<u>\$ (1,739)</u>	<u>\$ (2,871)</u>	<u>\$ (415)</u>	<u>\$ (2,751)</u>	<u>\$ (625)</u>	<u>\$ (346,589)</u>	<u>\$ 166,072</u>	<u>\$ -</u>	<u>\$ (1,423)</u>	<u>\$ (460,214)</u>
\$ 32,310	\$ 1,493	\$ (2,934)	\$ (9,035)	\$ (270)	\$ (4,265)	\$ (1,359)	\$ 606,411	\$ 58,244	\$ 48,963	\$ (22,633)	\$ 103,573
-	-	-	-	-	-	-	-	-	-	-	18,816
579,740	(316)	17,045	16,513	(200)	(524)	7,599	526,077	(97,089)	178,933	90,974	465,572
<u>\$ 612,050</u>	<u>\$ 1,177</u>	<u>\$ 14,111</u>	<u>\$ 7,478</u>	<u>\$ (470)</u>	<u>\$ (4,789)</u>	<u>\$ 6,240</u>	<u>\$ 1,132,488</u>	<u>\$ (38,845)</u>	<u>\$ 227,896</u>	<u>\$ 68,341</u>	<u>\$ 587,961</u>

(continued)

CITY OF MARINA

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

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>			<u>Debt Service Funds</u>	
	<u>Redevelopment Agency</u>		<u>Airport</u>	<u>Park Facilities</u>	<u>Library Construction</u>	<u>Library Bonds</u>	<u>City General Obligation Bonds</u>
	<u>Project Area #2 Operating</u>	<u>Project Area #1 Housing</u>					
REVENUES							
Taxes	\$ 82,541	\$ -	\$ -	\$ -	\$ -	\$ 441,528	\$ 80,230
Investment Earnings	6,207	24,651	1,343	26,234	26,126	975	13,454
Charges for Services & Program Revenues	-	-	180,326	48,196	-	-	-
Other Revenue	-	12,684	525	-	-	-	-
Total Revenues	\$ 88,748	\$ 37,335	\$ 182,194	\$ 74,430	\$ 26,126	\$ 442,503	\$ 93,684
EXPENDITURES							
Public Works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment	111,406	152,947	-	-	-	-	-
Economic & Community Development	-	-	-	14,344	-	-	-
Recreation & Cultural Services	-	-	-	-	-	-	-
Public Improvements	-	-	316,173	-	1,183,482	-	-
Debt Service - Principal Retirement	-	-	-	-	-	5,000	30,000
Debt Service - Interest & Fees	-	-	-	-	-	381,035	32,227
Total Expenditures	\$ 111,406	\$ 152,947	\$ 316,173	\$ 14,344	\$ 1,183,482	\$ 386,035	\$ 62,227
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (22,658)	\$ (115,612)	\$ (133,979)	\$ 60,086	\$ (1,157,356)	\$ 56,468	\$ 31,457
OTHER FINANCING SOURCES (USES)							
Interfund Transfers In	\$ -	\$ 226,902	\$ 162,186	\$ -	\$ -	\$ -	\$ -
Interfund Transfers(Out)	(77,829)	(47,631)	-	-	-	(2,535)	(1,157)
Other	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ (77,829)	\$ 179,271	\$ 162,186	\$ -	\$ -	\$ (2,535)	\$ (1,157)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (100,487)	\$ 63,659	\$ 28,207	\$ 60,086	\$ (1,157,356)	\$ 53,933	\$ 30,300
Prior Period Adjustment	-	-	-	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	113,949	1,612,588	(19,702)	474,943	1,539,085	102,561	261,329
FUND BALANCES - END OF YEAR	\$ 13,462	\$ 1,676,247	\$ 8,505	\$ 535,029	\$ 381,729	\$ 156,494	\$ 291,629

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

CITY OF MARINA

**Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2006**

Debt Service Funds

Airport Tax Allocation Bonds	Public Safety Bldg Tax Allocation Bonds	Marina Landing Bonds	Marina Greens Bonds	Marina Dunes Bonds	Totals
\$ -	\$ -	\$ 209,729	\$ 89,086	\$ -	\$ 3,489,273
3	379	12,933	8,645	12,114	432,717
-	-	-	-	1,422,692	4,252,195
-	-	-	-	-	563,202
<u>\$ 3</u>	<u>\$ 379</u>	<u>\$ 222,662</u>	<u>\$ 97,731</u>	<u>\$ 1,434,806</u>	<u>\$ 8,737,387</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,063
-	-	-	-	-	2,052,405
-	-	-	-	-	1,209,380
-	-	-	-	-	7,275
-	-	-	-	-	2,046,951
15,000	110,000	135,000	50,000	1,595,000	1,940,000
29,688	24,420	61,847	34,104	298,429	861,750
<u>\$ 44,688</u>	<u>\$ 134,420</u>	<u>\$ 196,847</u>	<u>\$ 84,104</u>	<u>\$ 1,893,429</u>	<u>\$ 8,162,824</u>
<u>\$ (44,685)</u>	<u>\$ (134,041)</u>	<u>\$ 25,815</u>	<u>\$ 13,627</u>	<u>\$ (458,623)</u>	<u>\$ 574,563</u>
\$ 44,787	\$ 145,470	\$ -	\$ -	\$ 43,665	\$ 939,127
(459)	-	(1,181)	(1,812)	-	(1,803,656)
-	-	-	-	-	-
<u>\$ 44,328</u>	<u>\$ 145,470</u>	<u>\$ (1,181)</u>	<u>\$ (1,812)</u>	<u>\$ 43,665</u>	<u>\$ (864,529)</u>
\$ (357)	\$ 11,429	\$ 24,634	\$ 11,815	\$ (414,958)	\$ (289,966)
-	-	-	-	-	18,816
14,844	123,435	304,194	180,199	414,958	11,176,487
<u>\$ 14,487</u>	<u>\$ 134,864</u>	<u>\$ 328,828</u>	<u>\$ 192,014</u>	<u>\$ -</u>	<u>\$ 10,905,337</u>

(concluded)

End