

City of Marina
Annual Financial Report
June 30, 2007

CITY OF MARINA

California

Annual Financial Report
June 30, 2007

City Council

Ila Mettee-McCutchon
Gary Wilmot
Dave McCall
Ken Gray
Jim Ford

Mayor
Mayor Pro Tem
Member
Member
Member

City Manager
Anthony J. Altfeld

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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, each major fund, and the aggregate remaining fund information of the City of Marina, California, as of and for the year ended June 30, 2007, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marina, California, as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007, on our consideration of the City of Marina internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor
Members of the City Council
Marina, California

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

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 other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nicholson & Olson

Certified Public Accountants
Roseville, California
September 14, 2007

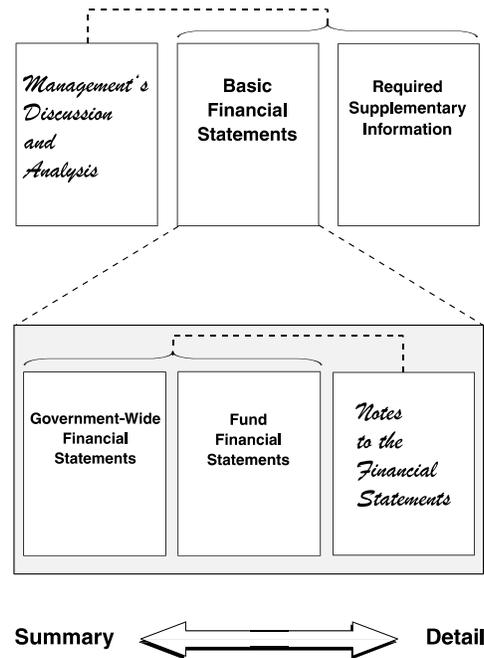
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007. 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, 2007 were \$83,676,769, an increase of 14.7% from the June 30, 2006, net assets of \$72,912,245.
- During 2006/07, City-wide revenues (excluding interfund transfers and long-term debt proceeds) of \$37,176,736 exceeded City-wide total expenditures (excluding interfund transfers & enterprise fund depreciation) of \$34,947,351 by \$2.2 million. Revenues include the sale of redevelopment agency real property of \$3 million. Ignoring that sale, expenditures exceeded revenues by \$770,000. Expenditures included \$10 million public improvement projects pursuant to the City's Capital Improvement Plan. Public improvements are often financed by grants from the federal and state governments, and other third-parties. 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.
- Property, sales, motor vehicle, transient occupancy and franchise tax revenues increased nominally for 2006/07. However, Public Facilities Impact Fees - imposed on certain development projects to mitigate the effect of those developments on public facilities - increased from less than \$½ million in 2005/06 to \$10.1 million in 2006/07. A significant portion of the impact fees were used to finance public improvements which, as previously noted, totaled more than \$10 million in 2006/07. Additional public improvements will be paid for by the impact fees during 2007/08 and subsequent years. Likewise, private developer fees of almost \$2½ million, while representing a large increase from the previous year, are expended solely on development-related activities and 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. Except for development-related, developer-financed costs of more than \$3½ million which, as noted previously are financed entirely by special fees collected from developers, and public improvement projects financed by impact fees and grants from other governments, expenditures remained relatively stable from the prior year.
- The City's General Fund reported a fund balance (net assets) at June 30, 2007, of \$11,439,382; up almost \$7 million from the June 30, 2006, fund balance of \$4,545,818 due to a transfer of \$8 million land sales proceeds from the Redevelopment Agency.
- The City sold two new long-term bond issues during 2006/07: \$4.315 million to buy down the City's unfunded pension liability with CalPERS; and \$14.36 million to acquire the Abrams B Apartments. Additional information on these debt issuances can be found in the Long-Term debt section of the Notes to Financial Statements.

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 \$83,676,769 at June 30, 2007 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.)*

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Assets						
Current Assets						
Cash and Cash Equivalents	26,554.6	32,845.7	1,174.9	7,526.7	27,729.5	40,372.4
Prepaid Expenses	123.1	791.7	1.6	1,011.6	124.7	1,803.3
Due from Other Funds	524.7	19,805.5	46.2	103.3	570.9	19,908.8
Other Receivables	699.9	1,502.0	90.9	46.4	790.8	1,548.4
Fuel Inventory	-	-	18.7	43.2	18.7	43.2
Total Current Assets	<u>27,902.3</u>	<u>54,944.9</u>	<u>1,332.3</u>	<u>8,731.2</u>	<u>29,234.6</u>	<u>63,676.1</u>
Noncurrent Assets						
Long-term Notes & Loans	721.0	670.3	-	-	721.0	670.3
Land, Bldgs & Equipment	21,743.0	45,210.9	51,925.4	63,898.6	73,668.4	109,109.5
(Accumulated Depreciation)	-7,692.2	-7,728.3	-5,451.6	-6,171.7	-13,143.8	-13,900.0
Total Noncurrent Assets	<u>14,771.8</u>	<u>38,152.9</u>	<u>46,473.8</u>	<u>57,726.9</u>	<u>61,245.6</u>	<u>95,879.8</u>
Total Assets	<u>42,674.1</u>	<u>93,097.8</u>	<u>47,806.1</u>	<u>66,458.1</u>	<u>90,480.2</u>	<u>159,555.9</u>
Liabilities						
Current Liabilities						
Accounts Payable	971.3	3,328.1	10.8	39.5	982.1	3,367.6
Accrued Liabilities	128.5	372.5	2.8	1.0	131.3	373.5
Deferred Revenue	40.0	136.6	37.1	43.4	77.1	180.0
Deposits & Other Liabilities	477.8	354.0	18.6	18.5	496.4	372.5
Due to Other Funds	570.9	1,864.3	-	18,044.5	570.9	19,908.8
Total Current Liabilities	<u>2,188.5</u>	<u>6,055.5</u>	<u>69.3</u>	<u>18,146.9</u>	<u>2,257.8</u>	<u>24,202.4</u>
Long-term Liabilities						
Notes Payable	-	-	77.1	61.0	77.1	61.0
Deferred Revenue	721.0	18,714.8	-	-	721.0	18,714.8
Leases Payable	194.1	147.0	-	-	194.1	147.0
Bonds Payable	13,505.0	31,680.0	-	-	13,505.0	31,680.0
Compensated Absences	813.0	1,073.9	-	-	813.0	1,073.9
Total Long-term Liabilities	<u>15,233.1</u>	<u>51,615.7</u>	<u>77.1</u>	<u>61.0</u>	<u>15,310.2</u>	<u>51,676.7</u>
Total Liabilities	<u>17,421.6</u>	<u>57,671.2</u>	<u>146.4</u>	<u>18,207.9</u>	<u>17,568.0</u>	<u>75,879.1</u>
Net Assets						
Total Net Assets	<u>25,252.5</u>	<u>35,426.6</u>	<u>47,659.7</u>	<u>48,250.2</u>	<u>72,912.2</u>	<u>83,676.8</u>
Invested in Capital Assets(net)						
Restricted	14,050.8	13,265.6	46,473.8	43,435.9	60,524.6	56,701.5
Unrestricted	537.4	666.4	-	-	537.4	666.4
Total Net Assets	<u>10,664.3</u>	<u>21,494.6</u>	<u>1,185.9</u>	<u>4,814.3</u>	<u>11,850.2</u>	<u>26,308.9</u>
Total Net Assets	<u>25,252.5</u>	<u>35,426.6</u>	<u>47,659.7</u>	<u>48,250.2</u>	<u>72,912.2</u>	<u>83,676.8</u>

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 \$666,340 restricted net assets, \$229,692 are held by

bond fiscal agents and \$436,648 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 2007/08 fiscal year and thereafter.

Changes in net assets. (Table 2)

- **REVENUES** City-wide revenues for 2006/07 (excluding interfund transfers) were \$31.5 million, an increase of about 85% from 2005/06 revenues of \$17 million. Most of this increase resulted from impact and developer fees imposed to mitigate the effects of new development. Except for these 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, mainly due to Abrams B rental income, which is a new activity for 2006/07. Enterprise revenues represent less than 5% of City-wide revenues.
- **COSTS** City-wide costs for governmental activities were \$33.7 million, comprising a moderate increase in on-going services, and a 3-fold increase in construction of public improvements, including significant progress on construction of a new library. A substantial portion of the public improvement costs were financed, as mentioned previously, by special fees imposed on developers, and did not adversely impact the delivery of on-going City services and programs. Airport operating costs remained essentially unchanged from the previous year, while slightly more than \$½ million in first-year operating costs related to Abrams B Housing were incurred. Of the \$33.7 total City-wide operating costs, the amount that City residents paid directly for these activities through Property taxes was only about \$4.3 million. Remaining costs were paid by those who directly benefited from the programs (charges for services) of \$15 million; visitor occupancy taxes of \$1.4 million; grants, contributions and developer deposits of about \$2.3 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	
	2006	2007	2006	2007	2006	2007
Revenues						
Program Revenues:						
Charges for Services	4,340.3	15,057.3	842.0	2,291.6	5,182.3	17,348.9
Grants & Program Income	2,343.1	4,716.4	-	-	2,343.1	4,716.4
General L/T Debt Proceeds	-	4,315.0	-	-	-	4,315.0
General Revenues						
Taxes	8,519.3	9,883.7	-	-	8,519.3	9,883.7
Other General Revenues	6,234.8	4,936.2	-	291.5	6,234.8	5,227.7
Interfund Transfers In	2,690.3	14,049.7	29.4	-	2,719.7	14,049.7
Total Revenues	24,127.8	52,958.3	871.4	2,583.1	24,999.2	55,541.4
Expenditures						
General Government	1,908.0	6,383.0	-	-	1,908.0	6,383.0
Public Safety	5,569.8	6,401.7	-	-	5,569.8	6,401.7
Planning	548.9	671.7	-	-	548.9	671.7
Redevelopment	657.4	1,653.5	-	-	657.4	1,653.5
Economic Development	3,721.0	4,352.0	-	-	3,721.0	4,352.0
Recreation	415.8	660.6	-	-	415.8	660.6
Public Works	1,214.0	2,039.6	-	-	1,214.0	2,039.6
Public Improvements	2,701.3	10,087.6	-	-	2,701.3	10,087.6
Debt Service	885.0	1,518.6	-	-	885.0	1,518.6
Enterprise Operations	-	-	1,473.2	1,899.1	1,473.2	1,899.1
Interfund Transfers Out	2,679.3	13,956.2	40.4	93.5	2,719.7	14,049.7
Total Expenditures	20,300.5	47,724.5	1,513.6	1,992.6	21,814.1	49,717.1
Revenues Over (under)Expenditures	3,827.3	5,233.8	-642.2	590.5	3,185.1	5,824.3
Net Assets, Beginning	18,714.8	25,252.5	47,922.3	47,659.7	66,637.1	72,912.2
Net Capital Assets Increase	2,339.4	23,431.8	379.6	-	2,719.0	23,431.8
L-T Debt (increase)decrease	127.2	-18,388.8	-	-	127.2	-18,388.8
Net Prior-period adjustments	243.8	-102.7	-	-	243.8	-102.7
Net Assets, Ending	25,252.5	35,426.6	47,659.7	48,250.2	72,912.2	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 as part of the original budget adoption, as set forth in

Table 3. As modified by those amendments, actual General Fund revenues fell short of budget by almost \$1.5 million, 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 2007/08.

Although most expenditures closely tracked budget estimates, Public Safety expenditures were \$1.7 million less than budgeted due to salary and salary-related cost savings resulting from budgeted but vacant positions. The City is actively recruiting to fill those essential Public Safety positions. 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	6,536.5	10.0	6,546.5	7,492.0	945.5
Licenses & Permits	253.2	-3.4	249.8	294.0	44.2
Fines & Forfeitures	103.0	-	103.0	228.0	125.0
Use of Money & Property	138.4	-	138.4	381.0	242.6
From Other Governments	152.0	95.6	247.6	196.9	-50.7
Chrgs for Svcs/Program Rev	714.6	174.0	888.6	900.0	11.4
Other Revenues	3,045.5	73.0	3,118.5	304.7	-2,813.8
Total Revenues	10,943.2	349.2	11,292.4	9,796.6	-1,495.8
Expenditures					
General Government	2,301.9	4,365.0	6,666.9	6,426.2	240.7
Public Safety	7,948.6	204.5	8,153.1	6,401.7	1,751.4
Planning	709.6	162.4	872.0	671.7	200.3
Recreation	596.0	199.3	795.3	649.0	146.3
Public Works	1,223.7	221.6	1,445.3	1,448.3	-3.0
Total Expenditures	12,779.8	5,152.8	17,932.6	15,596.9	2,335.7
Revenues Over(Under) Expenditures	-1,836.6	-4,803.6	-6,640.2	-5,800.3	839.9
Net Interfund Transfers In(Out)	694.2	7,332.8	8,027.0	8,481.6	454.6
Long-term Debt Proceeds	-	-	-	4,315.0	4,315.0
Revenues Over(Under) Expenditures, Transfers & Other Financing Sources	-1,142.4	2,529.2	1,386.8	6,996.3	5,609.5

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the City has invested more than \$109 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 2006/07 were: acquisition of Abrams B Apartments at a capitalized cost of \$14 million; progress costs on the new library of almost \$6 million; and various public improvement and infrastructure project costs of more than \$4.3 million. The City's 2007/08 budget provides for numerous public improvements, as well as completion of the new library, whose total costs will be in excess of \$8 million. Additional capital improvement and capital equipment expenditures will likely 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 4

	Capital Assets (in thousands, rounded)					
	Governmental Activities		Business-type Activity		Total	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</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	11,600.4	31,870.2	14,856.7	26,830.0	26,457.1	58,700.2
Vehicles & Equipment	4,152.1	4,320.7	168.6	168.6	4,320.7	4,489.3
Infrastructure	4,250.2	7,279.6	-	-	4,250.2	7,279.6
Totals at Historical Cost	<u>21,743.1</u>	<u>45,210.9</u>	<u>51,925.3</u>	<u>63,898.6</u>	<u>73,668.4</u>	<u>109,109.5</u>
Accumulated Depreciation	<u>-7,692.2</u>	<u>-7,728.3</u>	<u>-5,451.6</u>	<u>-6,171.7</u>	<u>-13,143.8</u>	<u>-13,900.0</u>
Net Capital Assets	<u>14,050.9</u>	<u>37,482.6</u>	<u>46,473.7</u>	<u>57,726.9</u>	<u>60,524.6</u>	<u>95,209.5</u>

Long Term Debt

At year-end the City had \$32.9 Million in bonds, notes, capital leases and compensated absences (vested benefits payable to employees) outstanding, as shown in Table 5. During 2006/07, two new bond issues were sold: (i) \$14,360,000 Multifamily Housing Revenue Bonds to finance acquisition of the Abrams B Apartments; and (ii) \$4,315,000 pension obligation bonds to refinance a CalPERS unfunded pension obligation. Additional information on these two bond issues can be found in the Long-term Debt section of the City's Notes to Financial Statements. No other new debt was entered into during 2006/07, and \$547,071 was paid against pre-existing long-term debt.

Table 5

	Long-term Debt (in thousands, rounded)					
	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Bonds Payable	13,505.0	31,680.0	-	-	13,505.0	31,680.0
Notes Payable	-	-	77.2	61.0	77.2	61.0
Leases Payable	194.0	147.0	-	-	194.0	147.0
Compensated Absences	813.0	1,073.9	-	-	813.0	1,073.9
Total Long-Term Debt	<u>14,512.0</u>	<u>32,900.9</u>	<u>77.2</u>	<u>61.0</u>	<u>14,589.2</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 2007/08 general fund budget. Amounts available for appropriation in the general fund 2007/08 budget include an estimated 2006/07 fund balance carry-forward of \$12.6 million, and projected 2007/08 revenues of \$13.2 million. Budgeted expenditures for 2007/08 total \$15.8 million. If 2007/08 revenues and expenditures are realized as budgeted, the City's General Fund balance will decline by about \$3 million, to \$10 million at June 30, 2008. However, the 2007/08 fiscal year will start with a fund balance of more than \$11.4 million, and this decline is considered acceptable.

While most on-going revenues are expected to remain essentially stable for 2007/08 compared to the previous year, the City has re-budgeted \$3 million percolation pond sales that were budgeted, but unrealized, in 2006/07.

The City's budgeted General Fund expenditures for 2007/08 increased from the previous year's budget of \$13.1 to \$18.8 million, most of which reflects anticipated increases in salaries and salary-related costs such as retirement and other benefits. As always, the City Council will consider revisions to the 2007/08 budget if and as necessary and recommended by the City Manager throughout the year 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, 2007**

ASSETS	Governmental Activities	Business-type Activities	Totals
Cash	\$ 32,845,792	\$ 7,526,660	\$ 40,372,452
Prepaid Expenditures	791,665	1,011,657	1,803,322
Accrued Receivables	1,501,942	46,411	1,548,353
Inventory	-	43,163	43,163
Internal Balances	18,044,445	(18,044,445)	-
Notes Receivable	670,299	-	670,299
Capital Assets (net of depreciation)	37,482,614	57,726,930	95,209,544
TOTAL ASSETS	\$ 91,336,757	\$ 48,310,376	\$ 139,647,133
LIABILITIES			
Accounts Payable	\$ 3,328,165	\$ 39,463	\$ 3,367,628
Other Accrued Payables	372,523	1,013	373,536
Deposits And Other Liabilities	353,985	18,544	372,529
Internal Balances	103,311	(103,311)	-
Deferred Revenue	18,851,332	43,425	18,894,757
Long-Term Liabilities:			
Due Within One Year	700,740	14,760	715,500
Due In More Than One Year	32,200,150	46,264	32,246,414
TOTAL LIABILITIES	\$ 55,910,206	\$ 60,158	\$ 55,970,364
NET ASSETS			
Invested in capital assets, net of related debt	\$ 13,265,613	\$ 43,435,906	\$ 56,701,519
Restricted	666,340	-	666,340
Unrestricted	21,494,598	4,814,312	26,308,910
TOTAL NET ASSETS	\$ 35,426,551	\$ 48,250,218	\$ 83,676,769

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, 2007**

Functions/Programs	Operating Expenses/ Expenditures	Program Revenues		
		Charges for Services & Program Revenue	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 6,490,626	\$ 12,229,975	\$ -	\$ -
Public Safety	6,401,683	540,957	139,058	-
Public Works	2,039,630	1,079,364	5,096	-
Planning	671,657	175,850	-	-
Redevelopment	10,198,975	3,774,241	-	-
Economic & Community Development	9,504,212	15,211,280	264,395	-
Recreation & Cultural Activities	735,646	461,919	-	-
Public Improvements	10,235,118	4,527,149	-	2,229,877
Debt Service	1,447,034	632,304	-	-
Total Governmental Activities	<u>\$ 47,724,581</u>	<u>\$ 38,633,039</u>	<u>\$ 408,549</u>	<u>\$ 2,229,877</u>
Business-type Activities:				
Airport & Abrams B Housing	1,992,559	2,573,078	10,000	-
Totals	<u>\$ 49,717,140</u>	<u>\$ 41,206,117</u>	<u>\$ 418,549</u>	<u>\$ 2,229,877</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
Increase 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
\$ 5,739,349	\$ -	\$ 5,739,349
(5,721,668)	-	(5,721,668)
(955,170)	-	(955,170)
(495,807)	-	(495,807)
(6,424,734)	-	(6,424,734)
5,971,463	-	5,971,463
(273,727)	-	(273,727)
(3,478,092)	-	(3,478,092)
(814,730)	-	(814,730)
<u>\$ (6,453,116)</u>	<u>\$ -</u>	<u>\$ (6,453,116)</u>
-	590,519	590,519
\$ (6,453,116)	\$ 590,519	\$ (5,862,597)
1,452,296	-	1,452,296
4,252,192	-	4,252,192
1,397,152	-	1,397,152
2,184,662	-	2,184,662
568,249	-	568,249
228,045	-	228,045
293,653	-	293,653
996,258	-	996,258
314,394	-	314,394
<u>\$ 11,686,901</u>	<u>\$ -</u>	<u>\$ 11,686,901</u>
\$ 5,233,785	\$ 590,519	\$ 5,824,304
23,431,771	-	23,431,771
(18,388,859)	-	(18,388,859)
<u>\$ 10,276,697</u>	<u>\$ 590,519</u>	<u>\$ 10,867,216</u>
\$ 25,252,546	\$ 47,659,699	\$ 72,912,245
(102,692)	-	(102,692)
<u>\$ 25,149,854</u>	<u>\$ 47,659,699</u>	<u>\$ 72,809,553</u>
<u>\$ 35,426,551</u>	<u>\$ 48,250,218</u>	<u>\$ 83,676,769</u>

CITY OF MARINA

**Balance Sheet
Governmental Funds
June 30, 2007**

	Major Funds	
ASSETS	General	Impact Fees
Cash	\$ 9,941,419	\$ 6,934,245
Prepaid Expenditures	738,268	-
Accrued Receivables	458,470	-
Due from Other Funds	1,336,523	-
Notes Receivable	-	-
TOTAL ASSETS	\$ 12,474,680	\$ 6,934,245
LIABILITIES		
Accounts Payable	\$ 512,272	\$ 10,513
Other Accrued Payables	140,894	-
Due to Other Funds	-	-
Deposits and Other Liabilities	338,945	-
Deferred Revenue	43,187	-
TOTAL LIABILITIES	\$ 1,035,298	\$ 10,513
EQUITY		
Fund Balances:		
Reserved	\$ 3,977,441	\$ -
Unreserved	7,461,941	6,923,732
TOTAL FUND EQUITY	\$ 11,439,382	\$ 6,923,732
TOTAL LIABILITIES AND EQUITY	\$ 12,474,680	\$ 6,934,245

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

Major Funds			Non-major	Total
Development	City	Library	Governmental	Governmental
Activity	Capital Projects	Capital Project	Funds	Funds
\$ 4,888	\$ 2,740,154	\$ 2,325,268	\$ 10,899,818	\$ 32,845,792
8,909	-	-	44,488	791,665
134,856	452,752	-	455,865	1,501,943
-	3,814,445	-	14,654,492	19,805,460
-	-	-	670,299	670,299
<u>\$ 148,653</u>	<u>\$ 7,007,351</u>	<u>\$ 2,325,268</u>	<u>\$ 26,724,962</u>	<u>\$ 55,615,159</u>
\$ 593,096	\$ 1,147,994	\$ 786,183	\$ 278,107	\$ 3,328,165
7,144	-	-	224,486	372,524
285,029	75,000	-	1,504,297	1,864,326
-	-	-	15,040	353,985
-	3,814,445	-	14,993,700	18,851,332
<u>\$ 885,269</u>	<u>\$ 5,037,439</u>	<u>\$ 786,183</u>	<u>\$ 17,015,630</u>	<u>\$ 24,770,332</u>
\$ -	\$ -	\$ -	\$ 1,000,000	\$ 4,977,441
(736,616)	1,969,912	1,539,085	8,709,332	25,867,386
<u>\$ (736,616)</u>	<u>\$ 1,969,912</u>	<u>\$ 1,539,085</u>	<u>\$ 9,709,332</u>	<u>\$ 30,844,827</u>
<u>\$ 148,653</u>	<u>\$ 7,007,351</u>	<u>\$ 2,325,268</u>	<u>\$ 26,724,962</u>	<u>\$ 55,615,159</u>

CITY OF MARINA

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2007**

Fund Balance - Total Governmental Funds \$ 30,844,827

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	\$ 45,210,899	
Less: Accumulated Depreciation	<u>(7,728,285)</u>	37,482,614

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

Accrued Compensated Absences	(1,073,889)	
Bonds Payable	(31,680,000)	
Capital Leases	<u>(147,001)</u>	<u>(32,900,890)</u>

Net Assets of Governmental Activities \$ 35,426,551

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, 2007**

	Major Funds	
	General	Impact Fee
REVENUES		
Taxes	\$ 7,491,964	\$ -
Fines and Penalties	228,045	-
Investment Earnings	280,892	81,162
Charges for Services & Program Revenues	1,183,811	10,171,394
Other	4,926,847	-
Total Revenues	<u>\$ 14,111,559</u>	<u>\$ 10,252,556</u>
EXPENDITURES		
General Government	\$ 6,426,183	\$ -
Public Safety	6,401,682	-
Public Works	1,448,338	-
Planning	671,657	-
Redevelopment	-	-
Economic & Community Development	-	10,513
Recreation & Cultural Services	649,030	-
Public Improvements	-	-
Debt Service - Principal Retirement	-	-
Debt Service - Interest and Fees	-	-
Total Expenditures	<u>\$ 15,596,890</u>	<u>\$ 10,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,485,331)</u>	<u>\$ 10,242,043</u>
OTHER FINANCING SOURCES (USES)		
Interfund Transfers In	\$ 8,494,890	\$ 8,068
Interfund Transfers (Out)	(13,303)	(3,455,422)
Total Other Financing Sources (Uses)	<u>\$ 8,481,587</u>	<u>\$ (3,447,354)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 6,996,256</u>	<u>\$ 6,794,689</u>
FUND BALANCES - BEGINNING OF YEAR	4,545,818	129,043
Prior Period Adjustment	(102,692)	-
FUND BALANCES - END OF YEAR	<u>\$ 11,439,382</u>	<u>\$ 6,923,732</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	Library Capital Project		
\$ -	\$ -	\$ -	\$ 2,391,726	\$ 9,883,690
-	-	-	-	228,045
-	-	183,652	450,553	996,259
2,316,354	2,442,711	416	3,649,042	19,763,728
-	-	-	3,110,089	8,036,936
<u>\$ 2,316,354</u>	<u>\$ 2,442,711</u>	<u>\$ 184,068</u>	<u>\$ 9,601,410</u>	<u>\$ 38,908,658</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,426,183
-	-	-	-	6,401,682
-	-	-	591,292	2,039,630
-	-	-	-	671,657
-	-	-	1,653,470	1,653,470
3,047,779	-	-	1,293,742	4,352,034
-	-	-	11,616	660,646
-	4,319,010	5,712,131	84,908	10,116,049
-	-	-	500,000	500,000
-	-	-	947,034	947,034
<u>\$ 3,047,779</u>	<u>\$ 4,319,010</u>	<u>\$ 5,712,131</u>	<u>\$ 5,082,062</u>	<u>\$ 33,768,385</u>
<u>\$ (731,425)</u>	<u>\$ (1,876,299)</u>	<u>\$ (5,528,063)</u>	<u>\$ 4,519,348</u>	<u>\$ 5,140,273</u>
\$ 478,392	\$ 3,955,422	\$ -	\$ 1,112,935	\$ 14,049,707
(318,928)	-	-	(10,168,540)	(13,956,193)
<u>\$ 159,464</u>	<u>\$ 3,955,422</u>	<u>\$ -</u>	<u>\$ (9,055,605)</u>	<u>\$ 93,514</u>
\$ (571,961)	\$ 2,079,123	\$ (5,528,063)	\$ (4,536,257)	\$ 5,233,787
(164,655)	(109,211)	7,067,148	14,245,589	25,713,732
-	-	-	-	(102,692)
<u>\$ (736,616)</u>	<u>\$ 1,969,912</u>	<u>\$ 1,539,085</u>	<u>\$ 9,709,332</u>	<u>\$ 30,844,827</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, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$	5,233,787
(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	\$ 24,161,801	
Depreciation Expense	<u>(730,030)</u>	23,431,771
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	\$ 547,069	
Increase in Compensated Absences Liability	(260,930)	
Inception of New Bonded Debt Obligations	<u>(18,675,000)</u>	<u>(18,388,861)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>10,276,697</u></u>

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

CITY OF MARINA

**Statement of Net Assets
Proprietary Funds
June 30, 2007**

	Airport Operating Fund	Abrams B Housing Fund	Total
ASSETS			
Cash	\$ 1,275,814	\$ 6,250,846	\$ 7,526,660
Prepaid Expenses	30,446	981,211	1,011,657
Accrued Receivables	46,411	-	46,411
Due from Other Funds	103,311	-	103,311
Inventory	43,163	-	43,163
Capital Assets, net	45,913,331	11,813,599	57,726,930
Total Assets	<u>\$ 47,412,476</u>	<u>\$ 19,045,656</u>	<u>\$ 66,458,132</u>
LIABILITIES			
Accounts Payable	\$ 37,563	\$ 1,900	\$ 39,463
Accrued Payables	1,013	-	1,013
Other Liabilities	61,969	-	61,969
Due to Other Funds	-	18,044,445	18,044,445
Long-term Liabilities:			
Due within One Year	14,760	-	14,760
Due in More Than One Year	46,264	-	46,264
Total Liabilities	<u>\$ 161,569</u>	<u>\$ 18,046,345</u>	<u>\$ 18,207,914</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$ 46,396,602	\$ -	\$ 46,396,602
Unrestricted	854,305	999,311	1,853,616
Total Net Assets	<u>\$ 47,250,907</u>	<u>\$ 999,311</u>	<u>\$ 48,250,218</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, 2007**

	Airport Operating Fund	Abrams B Housing Fund	Total
OPERATING REVENUES			
Rental Income	\$ 677,134	\$ 1,350,000	\$ 2,027,134
Aviation Fuel Sales	256,723	-	256,723
Other Income	7,710	-	7,710
Total Operating Revenues	<u>\$ 941,567</u>	<u>\$ 1,350,000</u>	<u>\$ 2,291,567</u>
OPERATING EXPENSES			
Salaries and Benefits	\$ 238,003	\$ -	\$ 238,003
Services and Supplies	305,700	394,483	700,183
Purchases - Aviation Fuel	228,621	-	228,621
Repairs and Maintenance	12,158	-	12,158
Depreciation	560,437	159,643	720,080
Total Operating Expenses	<u>\$ 1,344,919</u>	<u>\$ 554,126</u>	<u>\$ 1,899,045</u>
OPERATING INCOME (LOSS)	<u>\$ (403,352)</u>	<u>\$ 795,874</u>	<u>\$ 392,522</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental Revenues - Cal DOT Grant	\$ 10,000	\$ -	\$ 10,000
Investment Earnings	78,074	203,437	281,511
Interfund Transfers In	-	-	-
Interfund Transfers Out	(93,514)	-	(93,514)
Total Nonoperating Revenues (Expenses)	<u>\$ (5,440)</u>	<u>\$ 203,437</u>	<u>\$ 197,997</u>
NET INCOME (LOSS)	<u>\$ (408,792)</u>	<u>\$ 999,311</u>	<u>\$ 590,519</u>
NET ASSETS - BEGINNING OF YEAR	<u>47,659,699</u>	<u>-</u>	<u>47,659,699</u>
NET ASSETS - END OF YEAR	<u>\$ 47,250,907</u>	<u>\$ 999,311</u>	<u>\$ 48,250,218</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, 2007**

	Airport Operating Fund	Abrams B Housing Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 992,357	\$ 1,350,000	\$ 2,342,357
Payments to Suppliers	(572,911)	(392,583)	(965,494)
Payments to Employees	(239,794)	-	(239,794)
Net Cash Provided (Used) by Operating Activities	<u>\$ 179,652</u>	<u>\$ 957,417</u>	<u>\$ 1,137,069</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Repayments of Loans to Other Funds	\$ 46,178	\$ -	\$ 46,178
Loans to Other Funds(net)	(103,311)	-	(103,311)
Transfers to Other Funds	(93,514)	-	(93,514)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (150,647)</u>	<u>\$ -</u>	<u>\$ (150,647)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Long-term Debt	\$ (16,143)	\$ -	\$ (16,143)
Grant Revenue	10,000	-	10,000
Advances from Other funds	-	18,044,445	18,044,445
Acquisition/Purchase of Capital Assets	-	(11,973,242)	(11,973,242)
Unamortized Prepaid Loan Costs	-	(981,211)	(981,211)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (6,143)</u>	<u>\$ 5,089,992</u>	<u>\$ 5,083,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	<u>\$ 78,074</u>	<u>\$ 203,437</u>	<u>\$ 281,511</u>
Net Increase(Decrease) in Cash	\$ 100,936	\$ 6,250,846	\$ 6,351,782
Cash - Beginning of Year	<u>1,174,878</u>	<u>-</u>	<u>1,174,878</u>
Cash - End of Year	<u><u>\$ 1,275,814</u></u>	<u><u>\$ 6,250,846</u></u>	<u><u>\$ 7,526,660</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, 2007**

	Airport Operating Fund	Abrams B Housing Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (403,352)	\$ 795,874	\$ 392,522
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	560,437	159,643	720,080
Change in Assets and Liabilities:			
Prepaid Expenses	(28,797)	-	(28,797)
Accounts Receivable	44,441	-	44,441
Inventory	(24,414)	-	(24,414)
Accounts & Accrued Payables	24,988	1,900	26,888
Deferred Revenue	6,349	-	6,349
Net Cash Provided (Used) by Operating Activities	\$ 179,652	\$ 957,417	\$ 1,137,069
			(concluded)

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

CITY OF MARINA
Notes to Financial Statements
June 30, 2007

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 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

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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 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

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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.

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.

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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

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.

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Notes to Financial Statements
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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 \$1,073,889 for accrued benefits was recorded at June 30, 2007.

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 \$18,894,757 at June 30, 2007, comprises: 1) first-time homebuyer, business loans and housing rehabilitation loans of

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\$168,000, \$407,461 and \$94,838 respectively; 2) advance rent and other payments of \$180,013; 3) an interfund note receivable in the amount of \$14,230,000 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 \$3,814,445. 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)

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.

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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, 2007, the following funds had a deficit fund balance:

Fund	Deficit Balance
Development Activity	\$736,616
Marina Woods Assessment District	316
Crescent Heights Assessment District	200
Cypress Cove Assessment District	524
RDA Project Area #3 Housing Fund	97,089
Airport Capital Projects	19,702

4 - Cash and Deposits

Cash and deposits at June 30, 2007 comprise the following:

Cash Deposits	\$ 11,682,751
Certificates of Deposit	2,100,000
Cash with Fiscal Agent	5,832,299
Imprest Cash	1,050
Local Agency Investment Fund	<u>20,756,352</u>
Total Cash and Deposits	<u>\$ 40,372,452</u>

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.

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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 \$575,461 in the CDBG Fund include small business loans made for the implementation of a business assistance program and first-time homebuyer assistance loans that bear annual interest rates ranging from 5% to 6%, with various repayment plans.

CDBG Housing Fund and the RDA Project Area #1 Housing Fund notes receivable of \$94,838 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.

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Notes to Financial Statements
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6 - Capital Assets

Governmental (General) Capital Assets changed as follows:

<u>Capital Assets</u>	<u>July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2007</u>
Land	\$ 1,740,394	\$ -	\$ -	\$ 1,740,394
Buildings and Improvements	11,600,398	20,336,363	(66,487)	31,870,274
Equipment	4,152,090	781,366	(612,795)	4,320,661
Infrastructure	4,250,213	3,029,357	-	7,279,570
Total Capital Assets	21,743,095	24,147,086	(679,282)	45,210,899
Less Accumulated Depreciation	(7,692,252)	(730,030)	693,997	(7,728,285)
Capital Assets (net)	<u>\$14,050,843</u>	<u>\$23,417,056</u>	<u>\$ 14,715</u>	<u>\$37,482,614</u>

Business-activity Capital Assets changed as follows:

<u>Airport/ Abrams B Housing</u>	<u>July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2007</u>
Land	\$ 36,900,000	\$ -	\$ -	\$ 36,900,000
Buildings	7,917,780	-	-	7,917,780
Improvements	6,938,946	11,973,242	-	18,912,188
Equipment	168,637	-	-	168,637
Total Capital Assets	51,925,363	11,973,242	-	63,898,605
Less Accumulated Depreciation	(5,451,595)	(720,080)	-	(6,171,675)
Capital Assets (net)	<u>\$ 46,473,768</u>	<u>\$11,253,162</u>	<u>\$ -</u>	<u>\$ 57,726,930</u>

7 - Long-Term Debt

Following are the long-term debt issues outstanding at June 30, 2007, 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 \$590,000

General Obligation Bonds

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

Balance Due \$7,995,000

General Obligation Bonds

2007 General Obligation Bonds – Authorized and issued April 2007 as part of a larger

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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 \$4,315,000

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 \$ 625,000

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 \$ 610,000

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 \$ 575,000

Limited Obligation Improvement Bonds

2003 Mello-Roos Community Facilities District (Marina Dunes Resort Public Improvements) Special Tax Bonds – Authorized and issued June 2003, due in annual installments of \$55,000 to \$145,000 plus accrued interest through September 2023, for the purpose of refunding the 1997 Mello-Roos bonds originally issued to finance acquisition of certain public improvements. Interest is paid in March and September semi-annually at 5.625% to 6.375% per annum. Bonds were liquidated September 14, 2007. See Subsequent Events.

Balance Due \$ 1,595,000

Limited Obligation Improvement Bonds

2001 Refunded Marina Landing Assessment District Bonds - Authorized and issued July 2001, due in annual installments of \$108,000 to \$190,000 plus accrued interest through September 2013, for the purpose of refunding the 1993 Marina Landing Assessment

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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 \$ 1,125,000

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 \$ 14,250,000

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 \$ 61,024

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 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

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liabilities are not included in the City's financial statements.

General Long-Term Debt changed as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Decreases</u>	<u>June 30, 2007</u>
General Obligation Bonds	\$8,620,000	\$18,675,000	\$ 145,000	\$ 27,150,000
Tax Allocation Bonds	1,355,000	-	120,000	1,235,000
Limited Obligation Bonds	<u>3,530,000</u>	<u>-</u>	<u>235,000</u>	<u>3,295,000</u>
Sub-total Bonded Debt	13,505,000	18,675,000	500,000	31,680,000
Capital Lease Obligations	194,072	-	47,071	147,001
Accrued Compensated Absences	<u>812,959</u>	<u>260,930</u>	<u>-</u>	<u>1,073,889</u>
Totals	<u>\$14,512,031</u>	<u>\$18,935,930</u>	<u>\$ 547,071</u>	<u>\$ 32,900,890</u>

Annual principal and interest requirements on long-term debt outstanding at June 30, 2007, 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
2008	\$ 1,508,775	\$ 179,108	\$ 429,843	\$ 19,788	\$ 2,137,514
2009	1,755,087	178,445	426,862	19,788	2,380,182
2010	1,769,493	177,562	427,698	19,788	2,394,541
2011	1,801,595	181,350	432,160	11,543	2,426,648
2012	1,811,024	179,808	430,250	-	2,421,082
2013-2017	9,232,175	221,125	1,473,031	-	10,926,331
2018-2022	5,530,291	225,000	744,844	-	6,500,135
2023-2027	5,464,838	221,512	297,812	-	5,984,162
2028-2032	5,783,927	179,713	-	-	5,963,640
2033-2037	<u>16,651,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,651,946</u>
Subtotal	51,309,151	1,743,623	4,662,500	70,907	57,786,181
Less Interest	<u>(24,159,151)</u>	<u>(508,623)</u>	<u>(1,367,500)</u>	<u>(9,883)</u>	<u>(26,045,157)</u>
Principal	<u>\$ 27,150,000</u>	<u>\$ 1,235,000</u>	<u>\$ 3,295,000</u>	<u>\$ 61,024</u>	<u>\$ 31,741,024</u>

*Estimated - interest rates and payments are adjusted each year

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, 2007 follows:

Year Ending June 30	Long-Term Debt
2008	\$ 43,751
2009	26,234
2010	26,234
2011	26,234
2012	<u>26,233</u>
Total Lease Payments	148,686
Less Interest	<u>(1,685)</u>
Principal Portion of Future Lease Payments	<u>\$ 147,001</u>

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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, 2007 follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,336,522	\$ -
Conveyance	424,493	-
Development Activity	-	285,029
CDBG Fund	-	51,167
Assessment Districts	-	326
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	-	480,979
MRA Project Area #3 Housing	-	360,000
City Capital Projects	3,814,445	75,000
Airport Capital Projects	-	18,311
Debt Service Funds	14,230,000	-
Proprietary Funds	103,311	18,044,445
Total Interfund Loans	<u>\$ 19,908,771</u>	<u>\$19,908,771</u>

Interfund Transfers

Interfund transfers are transfers of cash between funds without the requirement of repayment. The following summarizes interfund transfers as of June 30, 2007:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 8,494,890	\$ -
Special Revenue Funds	1,408,362	13,837,125
Capital Projects Funds	3,959,495	119,068
Debt Service Funds	186,960	-
Proprietary Fund	-	93,514
	<u>\$14,049,707</u>	<u>\$ 14,049,707</u>

10 - Reservations and Designations of Fund Balances

Governmental funds report reservations of fund balance for amounts that are not available for appropriation because they are legally or budgetarily restricted to a specific purpose that is narrower than the purpose of the fund itself. Designations of fund balance represent management's informal, intended future use of available financial resources. Accordingly, no designations of fund balances are reported at June 30, 2007. The only reservations of fund balance are reported in the City's General Fund and Conveyance Fund as follows:

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Reserve for Dedicated Expenditures	\$3,143,310
Reserve for Loans to Other funds	337,000
Reserve for Working Capital	1,064,983
Reserve for Contingencies	<u>432,148</u>
Total	<u>\$4,977,441</u>

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. 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 2006/07, 12.313% & 33.283%; for 2007/08, 12.173% & 33.038%; for 2008/09, 9.044% & 19.27%; and for 2009/10 (projected), 8.6% & 18.1%. 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 \$1,184,058 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, 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%.

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June 30, 2007

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 883,989	100%	\$ 0
6/30/06	1,145,038	100%	0
6/30/07	1,184,058	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

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%

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%
2005	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%

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 \$2,433.

13 - Deferred Compensation Plan

The City offers its employees two deferred compensation plans created in accordance with

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Notes to Financial Statements
June 30, 2007

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

14 - Commitments and Contingencies

Contingent Liabilities

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

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

CITY OF MARINA
Notes to Financial Statements
June 30, 2007

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

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

The City currently reports all of its risk management activities in its 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. During the year ended June 30, 2007, the City paid \$532,112 for current year coverage and did not receive a rebate from the program.

16 – Subsequent Events

On September 14, 2007, pursuant to a sale of the Marina Dunes Resort, the Marina Community Facilities District No. 2003-1 liquidated all outstanding bonds and accrued interest. Principal amount of bonds redeemed was \$1,595,000.

17 - Excess Surplus

California Health & Safety Code Section 33334.12 states that on July 1 of any fiscal year an 'excess surplus' exists to the extent that the unexpended and unencumbered cash in a Redevelopment Agency's Low and Moderate Income Housing Fund exceeds the greater of \$1 million or the aggregate amount of tax increment deposited into the housing funds during the preceding four years. If an excess surplus exists, the Agency must, within one fiscal year either:

- i. voluntarily disburse the excess surplus to the county housing authority or other agency exercising housing development powers within the Agency's territorial jurisdiction; or
- ii. expend or encumber the excess surplus within two additional years.

H&S Code §33334.1(g)(2) states that, 'Moneys shall be deemed to be encumbered if committed pursuant to a legally enforceable contract or agreement for expenditure for purposes specified in Sections 33334.2 and 33334.3.'

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Notes to Financial Statements
June 30, 2007

If an Agency with an excess surplus does not spend or encumber the funds within the three year period, H&S Code § 33334.12(e) prohibits the Agency from exercising its normal authority. An Agency may, within six months of the end of a year in which it has an excess surplus, adopt a plan for the expenditure of all the monies in its low and moderate income fund(s) over the following five years. While this plan may be general and not site-specific, it must include: data with respect to the number and type of housing to be provided; the identity of the entity that will administer the plan; and an expenditure schedule by fiscal year. In addition, the Agency must include the plan in its annual report.

At July 1, 2007; 2006; 2005; and 2004 the Marina Redevelopment Agency had excess surplus(es) of \$583,177; \$408,458; \$279,451; and \$90,261, respectively. The Agency has not disbursed the excess to the county housing authority, and has not expended or encumbered the excess as defined in H&S Code §33334.12(g)(2). On November 21, 2006, the Agency Board passed Resolution No. 2006-306, committing \$10 million in support for the Cypress Knolls Project to construct low and moderate income housing units.

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, 2007**

	GENERAL FUND			Variance to Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 6,536,500	\$ 6,546,500	\$ 7,491,964	\$ 945,464
Licenses and Permits	253,200	249,800	294,023	44,223
Fines and Penalties	103,000	103,000	228,045	125,045
Use of Property - Investment Earnings & Rents	138,400	138,400	381,007	242,607
From Other Governments	152,030	247,578	196,834	(50,744)
Charges for Services & Program Revenue	714,640	888,612	899,980	11,368
Other Revenue	3,045,475	3,118,525	304,706	(2,813,819)
Total Revenues	<u>\$ 10,943,245</u>	<u>\$ 11,292,415</u>	<u>\$ 9,796,559</u>	<u>\$ (1,495,856)</u>
EXPENDITURES				
General Government	\$ 2,301,945	\$ 6,666,945	\$ 6,426,183	\$ 240,762
Public Safety	7,948,570	8,153,037	6,401,682	1,751,355
Public Works	1,223,677	1,445,329	1,448,338	(3,009)
Planning	709,649	872,016	671,657	200,359
Redevelopment	-	-	-	-
Economic & Community Development	-	-	-	-
Recreation & Cultural Services	595,958	795,258	649,030	146,228
Public Improvements	-	-	-	-
Total Expenditures	<u>\$ 12,779,799</u>	<u>\$ 17,932,585</u>	<u>\$ 15,596,890</u>	<u>\$ 2,335,695</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,836,554)</u>	<u>\$ (6,640,170)</u>	<u>\$ (5,800,331)</u>	<u>\$ 839,839</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers In	\$ 694,139	\$ 8,026,889	\$ 8,494,890	\$ 468,001
Interfund Transfers Out	-	-	(13,303)	(13,303)
Long-Term Debt Proceeds	-	-	4,315,000	4,315,000
Total Other Financing Sources (Uses)	<u>\$ 694,139</u>	<u>\$ 8,026,889</u>	<u>\$ 12,796,587</u>	<u>\$ 4,769,698</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (1,142,415)</u>	<u>\$ 1,386,719</u>	<u>\$ 6,996,256</u>	<u>\$ 5,609,537</u>
FUND BALANCE - BEGINNING OF YEAR	4,092,124	4,092,124	4,545,818	453,694
Prior Period Adjustments	-	-	(102,692)	(102,692)
FUND BALANCE - END OF YEAR	<u>\$ 2,949,709</u>	<u>\$ 5,478,843</u>	<u>\$ 11,439,382</u>	<u>\$ 5,960,539</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	81,162	81,162	-	-	-	-
-	-	-	-	-	-	-	-
266,400	266,400	10,171,394	9,904,994	5,697,948	5,668,708	2,316,354	(3,352,354)
-	-	-	-	-	-	-	-
<u>\$ 266,400</u>	<u>\$ 266,400</u>	<u>\$ 10,252,556</u>	<u>\$ 9,986,156</u>	<u>\$ 5,697,948</u>	<u>\$ 5,668,708</u>	<u>\$ 2,316,354</u>	<u>\$ (3,352,354)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
175,000	175,000	10,513	164,487	5,857,413	5,828,173	3,047,779	2,780,394
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 10,513</u>	<u>\$ 164,487</u>	<u>\$ 5,857,413</u>	<u>\$ 5,828,173</u>	<u>\$ 3,047,779</u>	<u>\$ 2,780,394</u>
\$ 91,400	\$ 91,400	\$ 10,242,043	\$ 10,150,643	\$ (159,465)	\$ (159,465)	\$ (731,425)	\$ (571,960)
\$ -	\$ -	\$ 8,068	\$ 8,068	\$ 478,393	\$ 478,392	\$ 478,392	\$ -
-	(3,455,422)	(3,455,422)	-	(318,928)	(318,928)	(318,928)	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ (3,455,422)</u>	<u>\$ (3,447,354)</u>	<u>\$ 8,068</u>	<u>\$ 159,465</u>	<u>\$ 159,464</u>	<u>\$ 159,464</u>	<u>\$ -</u>
\$ 91,400	\$ (3,364,022)	\$ 6,794,689	\$ 10,158,711	\$ -	\$ (1)	\$ (571,961)	\$ (571,960)
241,966	241,966	129,043	(112,923)	93,512	93,512	(164,655)	(258,167)
-	-	-	-	-	-	-	-
<u>\$ 333,366</u>	<u>\$ (3,122,056)</u>	<u>\$ 6,923,732</u>	<u>\$ 10,045,788</u>	<u>\$ 93,512</u>	<u>\$ 93,511</u>	<u>\$ (736,616)</u>	<u>\$ (830,127)</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, 2007**

	City Capital Projects Fund			Variance to Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Fines and Penalties	-	-	-	-
Investment Earnings	-	-	-	-
From Other Governments	-	-	-	-
Charges for Services & Program Revenues	3,465,404	2,270,012	1,966,681	(303,331)
Other Revenue	-	3,962,298	476,030	(3,486,268)
Total Revenues	<u>\$ 3,465,404</u>	<u>\$ 6,232,310</u>	<u>\$ 2,442,711</u>	<u>\$ (3,789,599)</u>
EXPENDITURES				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-
Public Works	-	-	-	-
Planning	-	-	-	-
Redevelopment	-	-	-	-
Economic & Community Development	-	-	-	-
Recreation & Cultural Services	-	-	-	-
Public Improvements	2,570,648	10,387,573	4,319,010	6,068,563
Total Expenditures	<u>\$ 2,570,648</u>	<u>\$ 10,387,573</u>	<u>\$ 4,319,010</u>	<u>\$ 6,068,563</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 894,756</u>	<u>\$ (4,155,263)</u>	<u>\$ (1,876,299)</u>	<u>\$ 2,278,964</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers In	\$ -	\$ 3,955,422	\$ 3,955,422	\$ -
Interfund Transfers Out	-	-	-	-
Long-Term Debt Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 3,955,422</u>	<u>\$ 3,955,422</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 894,756</u>	<u>\$ (199,841)</u>	<u>\$ 2,079,123</u>	<u>\$ 2,278,964</u>
FUND BALANCE - BEGINNING OF YEAR	(894,756)	(894,756)	(109,211)	785,545
Prior Period Adjustments	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (1,094,597)</u>	<u>\$ 1,969,912</u>	<u>\$ 3,064,509</u>

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

Library Capital Project Fund

Original Budget	Final Budget	Actual	Variance to Final Budget Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
150,000	-	183,652	183,652
-	-	-	-
-	-	416	416
-	-	-	-
<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 184,068</u>	<u>\$ 184,068</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,900,000	7,132,429	5,712,131	1,420,298
<u>\$ 6,900,000</u>	<u>\$ 7,132,429</u>	<u>\$ 5,712,131</u>	<u>\$ 1,420,298</u>
<u>\$ (6,750,000)</u>	<u>\$ (7,132,429)</u>	<u>\$ (5,528,063)</u>	<u>\$ 1,604,366</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (6,750,000)	\$ (7,132,429)	\$ (5,528,063)	\$ 1,604,366
6,750,000	6,750,000	7,067,148	317,148
-	-	-	-
<u>\$ -</u>	<u>\$ (382,429)</u>	<u>\$ 1,539,085</u>	<u>\$ 1,921,514</u>
			(concluded)

CITY OF MARINA

**Non-major Governmental Funds
Combining Balance Sheet
June 30, 2007**

	Special Revenue Funds					
	CDBG	Technology Cluster	Streets	Special Projects	National Parks Recreation Services	Conveyance
ASSETS						
Cash	\$ 436,648	\$ 40,216	\$ 191,840	\$ 266,011	\$ 687,648	\$ 1,980,194
Prepaid Expenditures	9,540	1,952	-	-	-	-
Accrued Receivables	55,000	12,337	-	-	997	200,000
Due from Other Funds	-	-	-	-	-	424,493
Notes Receivable	575,461	-	-	-	-	-
TOTAL ASSETS	\$ 1,076,649	\$ 54,505	\$ 191,840	\$ 266,011	\$ 688,645	\$ 2,604,687
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 9,482	\$ 30,351	\$ 17,208	\$ -	\$ 232	\$ 44,863
Accrued Payables	-	-	-	-	-	-
Due to Other Funds	51,167	-	-	-	-	-
Other Liabilities	-	9,300	-	-	740	-
Deferred Revenue	575,461	800	-	-	120	-
TOTAL LIABILITIES	\$ 636,110	\$ 40,451	\$ 17,208	\$ -	\$ 1,092	\$ 44,863
FUND BALANCES						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Unreserved	440,539	14,054	174,632	266,011	687,553	1,559,824
TOTAL FUND BALANCES	\$ 440,539	\$ 14,054	\$ 174,632	\$ 266,011	\$ 687,553	\$ 2,559,824
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,076,649	\$ 54,505	\$ 191,840	\$ 266,011	\$ 688,645	\$ 2,604,687

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
\$ 127,168	\$ 579,740	\$ -	\$ 17,481	\$ 17,410	\$ -	\$ 5,499	\$ 7,704
-	-	-	-	-	-	-	-
23,529	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	77,732	-	-	-	-	-	-
<u>\$ 150,697</u>	<u>\$ 657,472</u>	<u>\$ -</u>	<u>\$ 17,481</u>	<u>\$ 17,410</u>	<u>\$ -</u>	<u>\$ 5,499</u>	<u>\$ 7,704</u>
\$ 23,530	\$ -	\$ 113	\$ 436	\$ 897	\$ 76	\$ 6,023	\$ 105
-	-	-	-	-	-	-	-
-	-	203	-	-	124	-	-
-	-	-	-	-	-	-	-
-	77,732	-	-	-	-	-	-
<u>\$ 23,530</u>	<u>\$ 77,732</u>	<u>\$ 316</u>	<u>\$ 436</u>	<u>\$ 897</u>	<u>\$ 200</u>	<u>\$ 6,023</u>	<u>\$ 105</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
127,167	579,740	(316)	17,045	16,513	(200)	(524)	7,599
<u>\$ 127,167</u>	<u>\$ 579,740</u>	<u>\$ (316)</u>	<u>\$ 17,045</u>	<u>\$ 16,513</u>	<u>\$ (200)</u>	<u>\$ (524)</u>	<u>\$ 7,599</u>
<u>\$ 150,697</u>	<u>\$ 657,472</u>	<u>\$ -</u>	<u>\$ 17,481</u>	<u>\$ 17,410</u>	<u>\$ -</u>	<u>\$ 5,499</u>	<u>\$ 7,704</u>

(continued)

CITY OF MARINA

**Non-major Governmental Funds
Combining Balance Sheet
June 30, 2007**

	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		
ASSETS								
Cash	\$ 1,075,160	\$ 262,565	\$ 144,991	\$ 130,974	\$ 934,941	\$ 418,823	\$ 1,641,234	\$ - \$ 474,943
Prepaid Expenditures	9,394	346	-	-	4,331	346	3,735	- -
Accrued Receivables	-	-	40,529	-	-	-	-	123,472 -
Due from Other Funds	-	-	-	-	-	-	-	- -
Notes Receivable	-	-	-	-	-	-	17,106	- -
TOTAL ASSETS	<u>\$ 1,084,554</u>	<u>\$ 262,911</u>	<u>\$ 185,520</u>	<u>\$ 130,974</u>	<u>\$ 939,272</u>	<u>\$ 419,169</u>	<u>\$ 1,662,075</u>	<u>\$ 123,472 \$ 474,943</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 42,958	\$ -	\$ -	\$ -	\$ 35,241	\$ 220	\$ 32,381	\$ 33,970 \$ -
Accrued Payables	34,540	-	-	-	189,945	-	-	- -
Due to Other Funds	480,979	360,000	-	40,000	248,514	305,000	-	18,311 -
Other Liabilities	-	-	5,000	-	-	-	-	- -
Deferred Revenue	-	-	1,587	-	-	-	17,106	90,893 -
TOTAL LIABILITIES	<u>\$ 558,477</u>	<u>\$ 360,000</u>	<u>\$ 6,587</u>	<u>\$ 40,000</u>	<u>\$ 473,700</u>	<u>\$ 305,220</u>	<u>\$ 49,487</u>	<u>\$ 143,174 \$ -</u>
FUND BALANCES								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ - \$ -
Unreserved	526,077	(97,089)	178,933	90,974	465,572	113,949	1,612,588	(19,702) 474,943
TOTAL FUND BALANCE	<u>\$ 526,077</u>	<u>\$ (97,089)</u>	<u>\$ 178,933</u>	<u>\$ 90,974</u>	<u>\$ 465,572</u>	<u>\$ 113,949</u>	<u>\$ 1,612,588</u>	<u>\$ (19,702) \$ 474,943</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,084,554</u>	<u>\$ 262,911</u>	<u>\$ 185,520</u>	<u>\$ 130,974</u>	<u>\$ 939,272</u>	<u>\$ 419,169</u>	<u>\$ 1,662,075</u>	<u>\$ 123,472 \$ 474,943</u>

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

Debt Service Funds

Library Bonds	City General Obligation Bonds	Abrams B Housing Bonds	Airport Tax Allocation Bonds	Public Safety			Marina Dunes Bonds	Totals
				Bldg Tax Allocation Bonds	Marina Landing Bonds	Marina Greens Bonds		
\$ 102,561	\$ 261,329	\$ 71,930	\$ -	\$ 123,435	\$ 304,205	\$ 180,199	\$ 414,968	\$ 10,899,818
-	-	-	14,844	-	-	-	-	44,488
-	-	-	-	-	-	-	-	455,865
-	-	14,230,000	-	-	-	-	-	14,654,492
-	-	-	-	-	-	-	-	670,299
<u>\$ 102,561</u>	<u>\$ 261,329</u>	<u>\$ 14,301,930</u>	<u>\$ 14,844</u>	<u>\$ 123,435</u>	<u>\$ 304,205</u>	<u>\$ 180,199</u>	<u>\$ 414,968</u>	<u>\$ 26,724,962</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ -	\$ 10	\$ 278,107
-	-	-	-	-	-	-	-	224,486
-	-	-	-	-	-	-	-	1,504,297
-	-	-	-	-	-	-	-	15,040
-	-	14,230,000	-	-	-	-	-	14,993,700
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,230,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 17,015,630</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
102,561	261,329	71,930	14,844	123,435	304,194	180,199	414,958	8,709,332
<u>\$ 102,561</u>	<u>\$ 261,329</u>	<u>\$ 71,930</u>	<u>\$ 14,844</u>	<u>\$ 123,435</u>	<u>\$ 304,194</u>	<u>\$ 180,199</u>	<u>\$ 414,958</u>	<u>\$ 9,709,332</u>
<u>\$ 102,561</u>	<u>\$ 261,329</u>	<u>\$ 14,301,930</u>	<u>\$ 14,844</u>	<u>\$ 123,435</u>	<u>\$ 304,205</u>	<u>\$ 180,199</u>	<u>\$ 414,968</u>	<u>\$ 26,724,962</u>

(concluded)

CITY OF MARINA
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2007

Special Revenue Funds

	CDBG	Technology Cluster	Streets	Special Projects	National Parks Recreation Services	Conveyance	Abrams Park	PEG
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	13,920	329	7,981	9,236	38,614	133,256	868	10,163
Charges for Services & Program Revenues	295,229	275,216	690,693	-	167,130	1,405,291	-	93,987
Other Revenue	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 309,149</u>	<u>\$ 275,545</u>	<u>\$ 698,674</u>	<u>\$ 9,236</u>	<u>\$ 205,744</u>	<u>\$ 1,538,547</u>	<u>\$ 868</u>	<u>\$ 104,150</u>
EXPENDITURES								
Public Works	\$ -	\$ -	\$ 543,974	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment	-	-	-	-	-	-	-	-
Economic & Community Development	383,433	270,908	-	-	-	509,472	-	129,929
Recreation & Cultural Services	-	-	-	-	11,616	-	-	-
Public Improvements	-	-	-	-	-	-	-	-
Debt Service - Principal Retirement	-	-	-	-	-	-	-	-
Debt Service - Interest & Fees	-	-	-	-	-	-	-	-
Total Expenditures	<u>\$ 383,433</u>	<u>\$ 270,908</u>	<u>\$ 543,974</u>	<u>\$ -</u>	<u>\$ 11,616</u>	<u>\$ 509,472</u>	<u>\$ -</u>	<u>\$ 129,929</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (74,284)</u>	<u>\$ 4,637</u>	<u>\$ 154,700</u>	<u>\$ 9,236</u>	<u>\$ 194,128</u>	<u>\$ 1,029,075</u>	<u>\$ 868</u>	<u>\$ (25,779)</u>
OTHER FINANCING SOURCES (USES)								
Interfund Transfers In	\$ 408,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Transfers(Out)	(562,015)	-	-	(51,140)	(75,000)	(770,236)	(14,604)	-
Other	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (153,837)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (51,140)</u>	<u>\$ (75,000)</u>	<u>\$ (770,236)</u>	<u>\$ (14,604)</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (228,121)</u>	<u>\$ 4,637</u>	<u>\$ 154,700</u>	<u>\$ (41,904)</u>	<u>\$ 119,128</u>	<u>\$ 258,839</u>	<u>\$ (13,736)</u>	<u>\$ (25,779)</u>
FUND BALANCES - BEGINNING OF YEAR	668,660	9,417	19,932	307,915	568,425	2,300,985	13,736	152,946
FUND BALANCES - END OF YEAR	<u>\$ 440,539</u>	<u>\$ 14,054</u>	<u>\$ 174,632</u>	<u>\$ 266,011</u>	<u>\$ 687,553</u>	<u>\$ 2,559,824</u>	<u>\$ -</u>	<u>\$ 127,167</u>

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	
\$ -	\$ 3,538	\$ 3,436	\$ 6,224	\$ 852	\$ 19,360	\$ 1,111	\$ 246,626	\$ -	\$ -	\$ -	\$ -	\$ 1,145,187
34,924	-	1,116	1,214	1	366	458	60,331	-	1,599	1,228	-	13,651
6,427	-	-	-	-	-	-	-	-	139,028	-	-	-
-	-	-	-	-	-	-	3,000,000	-	-	-	-	-
<u>\$ 41,351</u>	<u>\$ 3,538</u>	<u>\$ 4,552</u>	<u>\$ 7,438</u>	<u>\$ 853</u>	<u>\$ 19,726</u>	<u>\$ 1,569</u>	<u>\$ 3,306,957</u>	<u>\$ -</u>	<u>\$ 140,627</u>	<u>\$ 1,228</u>	<u>\$ -</u>	<u>\$ 1,158,838</u>
\$ -	\$ 1,346	\$ 5,691	\$ 11,134	\$ 1,063	\$ 26,765	\$ 1,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	451,883	89,630	49,360	13,083	-	705,801
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,346</u>	<u>\$ 5,691</u>	<u>\$ 11,134</u>	<u>\$ 1,063</u>	<u>\$ 26,765</u>	<u>\$ 1,318</u>	<u>\$ 451,883</u>	<u>\$ 89,630</u>	<u>\$ 49,360</u>	<u>\$ 13,083</u>	<u>\$ -</u>	<u>\$ 705,801</u>
\$ 41,351	\$ 2,192	\$ (1,139)	\$ (3,696)	\$ (210)	\$ (7,039)	\$ 251	\$ 2,855,074	\$ (89,630)	\$ 91,267	\$ (11,855)	\$ -	\$ 453,037
\$ 17,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,325	\$ 14,604	\$ 18,987	\$ -	\$ 12,486
(30,973)	-	-	-	-	-	-	(8,049,325)	-	-	-	-	(438,281)
-	-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ (13,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,049,325)</u>	<u>\$ 49,325</u>	<u>\$ 14,604</u>	<u>\$ 18,987</u>	<u>\$ -</u>	<u>\$ (425,795)</u>
\$ 27,518	\$ 2,192	\$ (1,139)	\$ (3,696)	\$ (210)	\$ (7,039)	\$ 251	\$ (5,194,251)	\$ (40,305)	\$ 105,871	\$ 7,132	\$ -	\$ 27,242
552,222	(2,508)	18,184	20,209	10	6,515	7,348	5,720,328	(56,784)	73,062	83,842	-	438,330
<u>\$ 579,740</u>	<u>\$ (316)</u>	<u>\$ 17,045</u>	<u>\$ 16,513</u>	<u>\$ (200)</u>	<u>\$ (524)</u>	<u>\$ 7,599</u>	<u>\$ 526,077</u>	<u>\$ (97,089)</u>	<u>\$ 178,933</u>	<u>\$ 90,974</u>	<u>\$ -</u>	<u>\$ 465,572</u>

(continued)

CITY OF MARINA

**Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2007**

	<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 Bonds</u>	<u>City General Obligation Bonds</u>
	<u>Project Area #2 Operating</u>	<u>Project Area #1 Housing</u>				
REVENUES						
Taxes	\$ 79,937	\$ -	\$ -	\$ -	\$ 374,453	\$ 76,420
Investment Earnings	2,234	19,529	56	39,398	1,101	13,049
Charges for Services & Program Revenues	-	-	69,936	61,362	-	-
Other Revenue	-	110,089	-	-	-	-
Total Revenues	<u>\$ 82,171</u>	<u>\$ 129,618</u>	<u>\$ 69,992</u>	<u>\$ 100,760</u>	<u>\$ 375,554</u>	<u>\$ 89,469</u>
EXPENDITURES						
Public Works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment	44,010	299,703	-	-	-	-
Economic & Community Development	-	-	-	-	-	-
Recreation & Cultural Services	-	-	-	-	-	-
Public Improvements	-	-	56,494	28,415	-	-
Debt Service - Principal Retirement	-	-	-	-	5,000	30,000
Debt Service - Interest & Fees	-	-	-	-	381,358	33,744
Total Expenditures	<u>\$ 44,010</u>	<u>\$ 299,703</u>	<u>\$ 56,494</u>	<u>\$ 28,415</u>	<u>\$ 386,358</u>	<u>\$ 63,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 38,161</u>	<u>\$ (170,085)</u>	<u>\$ 13,498</u>	<u>\$ 72,345</u>	<u>\$ (10,804)</u>	<u>\$ 25,725</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	\$ -	\$ 401,183	\$ 4,073	\$ -	\$ -	\$ -
Interfund Transfers(Out)	(57,899)	-	-	(119,068)	-	-
Other	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (57,899)</u>	<u>\$ 401,183</u>	<u>\$ 4,073</u>	<u>\$ (119,068)</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (19,738)</u>	<u>\$ 231,098</u>	<u>\$ 17,571</u>	<u>\$ (46,723)</u>	<u>\$ (10,804)</u>	<u>\$ 25,725</u>
FUND BALANCES - BEGINNING OF YEAR	<u>133,687</u>	<u>1,381,490</u>	<u>(37,273)</u>	<u>521,666</u>	<u>113,365</u>	<u>235,604</u>
FUND BALANCES - END OF YEAR	<u>\$ 113,949</u>	<u>\$ 1,612,588</u>	<u>\$ (19,702)</u>	<u>\$ 474,943</u>	<u>\$ 102,561</u>	<u>\$ 261,329</u>

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

Debt Service Funds

Abrams B Housing Bonds	Airport Tax Allocation Bonds	Public Safety Bldg Tax Allocation Bonds	Marina Landing Bonds	Marina Greens Bonds	Marina Dunes Bonds	Totals
\$ -	\$ -	\$ -	\$ 188,441	\$ 86,841	\$ 159,301	\$ 2,391,726
3,854	36	563	13,177	8,811	19,487	450,553
444,745	-	-	-	-	-	3,649,042
-	-	-	-	-	-	3,110,089
<u>\$ 448,599</u>	<u>\$ 36</u>	<u>\$ 563</u>	<u>\$ 201,618</u>	<u>\$ 95,652</u>	<u>\$ 178,788</u>	<u>\$ 9,601,410</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 591,292
-	-	-	-	-	-	1,653,470
-	-	-	-	-	-	1,293,742
-	-	-	-	-	-	11,616
-	-	-	-	-	-	84,908
110,000	15,000	105,000	130,000	50,000	55,000	500,000
266,669	30,400	29,150	68,463	36,630	100,620	947,034
<u>\$ 376,669</u>	<u>\$ 45,400</u>	<u>\$ 134,150</u>	<u>\$ 198,463</u>	<u>\$ 86,630</u>	<u>\$ 155,620</u>	<u>\$ 5,082,062</u>
\$ 71,930	\$ (45,364)	\$ (133,587)	\$ 3,155	\$ 9,022	\$ 23,168	\$ 4,519,348
\$ -	\$ 51,620	\$ 135,340	\$ -	\$ -	\$ -	\$ 1,112,935
-	-	-	-	-	-	(10,168,540)
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 51,620</u>	<u>\$ 135,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,055,605)</u>
\$ 71,930	\$ 6,256	\$ 1,753	\$ 3,155	\$ 9,022	\$ 23,168	\$ (4,536,257)
-	8,588	121,682	301,039	171,177	391,790	14,245,589
<u>\$ 71,930</u>	<u>\$ 14,844</u>	<u>\$ 123,435</u>	<u>\$ 304,194</u>	<u>\$ 180,199</u>	<u>\$ 414,958</u>	<u>\$ 9,709,332</u>

(concluded)

End