

CITY OF SEASIDE

Annual Financial Report

June 30, 2009

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CITY OF SEASIDE
Basic Financial Statements
June 30, 2009

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LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of
the City of Seaside, California

Independent Auditor's Report

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 Seaside, California, (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seaside, California, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows 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 March 31, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

March 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009 (Unaudited)

As management of the City of Seaside, we offer readers of the City's financial statements this discussion and analysis of the financial activities of the City for the year ended June 30, 2009. Please read this overview in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Citywide:

- The total net assets of the City of Seaside decreased over the course of the fiscal year by \$1.3 million to \$95.5 million. The net assets of governmental activities decreased by \$1.2 million, or 1.3% and the net assets of business-type activities decreased by \$193 thousand, or 1.6%.
- Total City revenues were \$38.9 million in fiscal year 2008-2009, a decrease of \$5.5 million or 12.3% from fiscal year 2007-2008.
- Total City expenses were \$40.3 million in fiscal year 2008-2009, which was a decrease of \$2.4 million or 5.5% from fiscal year 2007-2008.

Fund basis:

- The City's General Fund reported a fund balance at June 30, 2009 of \$6.3 million, a decrease of \$2.3 million or 27%. \$1.4 million is available to meet the City's General Fund ongoing expenditures.
- General Fund revenues, including transfers in, were \$21.1 million in fiscal year 2008-2009.
- Total General Fund expenditures, including transfers out, were \$23.6 million in fiscal year 2008-2009.

THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains supplementary information.

Government-Wide Financial Statements

These financial statements include all of the activities of the City of Seaside (the City) and its component units using the integrated approach as prescribed by GASB Statement No. 34. They present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we separate the City activities into two categories. The governmental activities include the City's basic services, including General Government, Public Safety, Recreation, Public Works, and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities. The business-type activities include the City's Water System and the Golf Course. These services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These fund financial statements include statements for each of the three categories of activities – governmental, proprietary, and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds, which only report a Statement of Fiduciary Assets and Liabilities and do not have a measurement focus.

The fund financial statements provide detailed information about each of the City's most significant funds, called major funds, not the City as a whole. Major funds present the major activities of the City for the year. The major funds may change from year to year as a result of changes in the City's major activities. Other funds are required to be established by State law and by bond covenants. In addition, management may establish funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which means the fund only measures current financial resources and uses. Capital assets and other long-term assets and long-term liabilities are not presented in the governmental fund financial statements. The City of Seaside's major governmental funds as of June 30, 2009 are the General Fund, the Low/Moderate Income Housing Fund, the Redevelopment Agency Capital Projects Fund, the 2003 Bond Capital Projects Fund, the Fort Ord Capital Projects Fund, and the Redevelopment Agency Debt Service Fund.

Proprietary Funds—Enterprise and internal service funds are included in the proprietary fund financial statements. These statements are prepared on the full accrual basis, including all assets and liabilities, both current and long-term. The City's major proprietary funds as of June 30, 2009 are the Water Fund and the Golf Fund.

Fiduciary Funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The City's fiduciary funds as of June 30, 2009 are the Seaside County Sanitation District Fund, the Watermaster Fund, and the Developer Deposits Fund.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information and narrative disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The Budgetary Comparison Schedules for general and major special revenue funds are presented here, as well as, the budgetary information note.

The combining statements for both nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

**Table 1
Government-wide Financial Statements vs. Fund Financial Statements Grid**

Features	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Fund	Proprietary Fund	Fiduciary Fund
<i>Scope</i>	The primary government (The City) and the component units (Redevelopment Agency and Financing Authority). - excluding Fiduciary Activities.	All activities of the City and the component units which are not proprietary or fiduciary in nature.	Activities the City operates similar to private business: - Water Fund, - Golf Fund.	Accounting for resources held for the benefit of another party: - Seaside County Sanitation District, - Watermaster, - Developer Deposits.
<i>Required Financial Statements</i>	1) Statement of Net Assets 2) Statement of Activities	1) Balance Sheet 2) Statement of Revenues, Expenditures, & Changes in Fund Balances	1) Statement of Net Assets 2) Statement of Revenues, Expenses, & Changes in Fund Net Assets 3) Statement of Cash Flows	1) Statement of Fiduciary Assets & Liabilities
<ul style="list-style-type: none"> <i>Accounting Basis</i> <i>Measurement Focus</i> 	<ul style="list-style-type: none"> Accrual Economic Resources 	<ul style="list-style-type: none"> Modified Accrual Current Financial Resources 	<ul style="list-style-type: none"> Accrual Economic Resources 	<ul style="list-style-type: none"> Accrual Economic Resources (no economic focus for agency funds)
<i>Asset & Liability Recognition</i>	All short-term and long-term capital assets and liabilities. - includes infrastructure and long-term debt.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term debt included.	All short-term and long-term capital assets and liabilities. - includes infrastructure and long-term debt.	All short-term and long-term capital assets and liabilities. - includes infrastructure and long-term debt.
<i>Revenue & Expense Recognition</i>	All current year's revenues and expenses, regardless of when cash is received or paid.	Revenues which are collected during or within 60-90 days after year end. Expenditures when goods/services received and payment is due during or within 60 days after year end.	All current year's revenues and expenses, regardless of when cash is received or paid.	All current year's revenues and expenses, regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Over time the change in net assets may serve as a useful indicator of the City's financial position. The City of Seaside's combined net assets as of June 30, 2009 are \$95.5 million. During the year ended June 30, 2009, the City identified capital assets with a net book value of \$563 thousand, which were not recorded in prior years. The City restated its net assets as of July 1, 2008 in the 2009 Statement of Net Assets but has not reflected this restatement in the 2008 Statement of Net Assets presented below. The City's net assets decreased by \$1.3 million or 1.4% from the restated net assets of the previous year. The City's investment in capital assets, net of related debt of \$85.4 million reflects its investment in capital assets such as land, infrastructure, buildings, machinery, vehicles and equipment, minus any related outstanding debt.

Net Assets (in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 54,337.7	\$ 50,644.3	\$ 932.4	\$ 496.8	\$ 55,270.1	\$ 51,141.1
Capital assets	73,205.7	76,712.2	15,066.8	15,341.9	88,272.5	92,054.1
Total assets	<u>127,543.4</u>	<u>127,356.5</u>	<u>15,999.2</u>	<u>15,838.7</u>	<u>143,542.6</u>	<u>143,195.2</u>
Long-term liabilities	37,707.2	39,235.5	3,948.0	3,954.4	41,655.2	43,189.9
Other liabilities	5,596.3	4,454.2	35.7	62.0	5,632.0	4,516.2
Total liabilities	<u>43,303.5</u>	<u>43,689.7</u>	<u>3,983.7</u>	<u>4,016.4</u>	<u>47,287.2</u>	<u>47,706.1</u>
Net Assets:						
Invested in capital assets, net of related debt	57,847.6	73,970.5	11,140.0	11,412.5	68,987.6	85,383.0
Restricted	16,697.5	12,769.1	-	481.0	16,697.5	13,250.1
Unrestricted	9,694.8	(3,072.8)	875.5	(71.2)	10,570.3	(3,144.0)
Total net assets	<u>\$ 84,239.9</u>	<u>\$ 83,666.8</u>	<u>\$ 12,015.5</u>	<u>\$ 11,822.3</u>	<u>\$ 96,255.4</u>	<u>\$ 95,489.1</u>

Statement of Activities

Total citywide program revenue and general revenue during 2008-2009 was \$39 million. Total citywide expenses were \$40.3 million. Expenses exceeded revenues by \$1.3 million.

Table 3
Changes in Net Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for services	\$ 3,265.3	\$ 3,422.9	\$ 827.1	\$ 880.6	\$ 4,092.4	\$ 4,303.5
Operating grants	2,329.6	1,667.4	-	-	2,329.6	1,667.4
Capital grants	682.2	921.1	-	-	682.2	921.1
General revenues:						
Taxes	27,315.8	27,730.3	-	-	27,315.8	27,730.3
Use of money and property	2,754.8	1,208.8	96.3	8.4	2,851.1	1,217.2
Other revenues	2,729.0	3,107.6	-	-	2,729.0	3,107.6
Gain on sale of capital assets	-	-	2,036.4	-	2,036.4	-
Interfund transfers in	2,361.6	-	-	-	2,361.6	-
Total revenues and transfers	<u>41,438.3</u>	<u>38,058.1</u>	<u>2,959.8</u>	<u>889.0</u>	<u>44,398.1</u>	<u>38,947.1</u>
Expenses:						
General government	2,191.1	1,590.6	-	-	2,191.1	1,590.6
Public Safety	15,993.1	18,050.1	-	-	15,993.1	18,050.1
Recreation	1,842.0	1,853.7	-	-	1,842.0	1,853.7
Public works	5,839.8	4,939.2	-	-	5,839.8	4,939.2
Community development	11,423.2	10,572.7	-	-	11,423.2	10,572.7
Enterprise operations	-	-	973.7	1,082.2	973.7	1,082.2
Interest and fiscal charges	1,991.2	2,187.8	-	-	1,991.2	2,187.8
Interfund transfers out	-	-	2,361.6	-	2,361.6	-
Total expenses	<u>39,280.4</u>	<u>39,194.1</u>	<u>3,335.3</u>	<u>1,082.2</u>	<u>42,615.7</u>	<u>40,276.3</u>
Change in net assets	2,157.9	(1,136.0)	(375.5)	(193.2)	1,782.4	(1,329.2)
Net assets as restated, July 1	<u>82,082.0</u>	<u>84,802.8</u>	<u>12,391.0</u>	<u>12,015.5</u>	<u>94,473.0</u>	<u>96,818.3</u>
Net assets, June 30	<u>\$ 84,239.9</u>	<u>\$ 83,666.8</u>	<u>\$ 12,015.5</u>	<u>\$ 11,822.3</u>	<u>\$ 96,255.4</u>	<u>\$ 95,489.1</u>

Governmental Activities — In the 2008-2009 fiscal year, City expenses for governmental activities exceeded program revenue by \$33.2 million. General revenues in the form of taxes and investment income were used to pay the excess expenses. The largest expense category was Public Safety totaling \$18.1 million or 46%. Community Development, including Redevelopment, expenses were \$10.6 million or 27% of total City governmental expenses. Public Works, including streets expenses, totaled \$4.9 million or 13%. Recreation expenses were 5% of total governmental expenses. The balance of the expenses, 9%, was for General Government and interest charges on debt financing.

The decrease in expenses between 2007-2008 and 2008-2009 is due to the 10% salary reductions taken by a number of employee groups, City Hall Friday closure and operating cost cutbacks. The decrease was offset by a significant increase in Public Safety expenses primarily due to overtime costs. Fire overtime resulting from wildfire mutual aid calls was reimbursed by the state.

Business-type Activities — Expenses for business-type activities exceeded revenues by \$193 thousand. Expenses exceeded charges for services by over \$160 thousand in the Water Fund alone.

FUNDS FINANCIAL ANALYSIS

The City uses fund accounting to ensure compliance with financial related legal requirements and to provide financial management over certain funds.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, The City's governmental funds have a combined ending fund balance of \$35.6 million. This is a decrease of \$3.3 million, or 8.5%, from the prior year. \$14.5 million of this balance is unreserved. The reserved balances are composed of a reserve for inter-fund advances of \$5 million, land held for resale of \$4.6 million, debt service of \$1.6 million and \$9.9 million of redevelopment funds reserved for low/moderate income housing projects.

Major Governmental Funds

- **General Fund:** Total General Fund revenues were \$20 million, which was \$3.9 million less than the original budget primarily due to declines in estimated property taxes and other revenues. Expenditures were \$23.1 million, right on mark with the original budget. Other financing sources totaled \$810 thousand. The General Fund fund balance decreased by \$2.3 million to \$6.3 million during 2008-2009. This is a decrease of 27%. The shortfall is due to the economic downturn which resulted in decreases to sales tax, property tax, transient occupancy tax, and fees and charges. In addition, \$1.6 million in anticipated land sales related to the Golf Resort Hotel property were not received. Expenditures exceeded the final adjusted budget largely due to overtime costs incurred in the Public Safety departments.
- **Redevelopment Agency Capital Projects Fund:** Total Redevelopment Agency Capital Projects Fund revenues and transfers in were \$3.1 million and expenditures were \$3.8 million, and transfers out totaled \$100 thousand. The expenditures in this fund were for redevelopment projects throughout the City. The Redevelopment Agency Capital Project's fund balance decreased by \$820 thousand to \$2.6 million deficit in 2008-2009.
- **Redevelopment Agency Low/Moderate Housing Projects Fund:** Total Redevelopment Agency Low/Moderate Housing Projects Fund revenues were \$1.8 million and expenditures were \$550 thousand. The Redevelopment Agency Low/Moderate Housing Project's fund balance increased by \$1.2 million to \$11.2 million during 2008-2009. This is an increase of 12%. The Redevelopment Agency is planning housing projects to invest these funds for very low, low and moderate income housing. As of June 30, 2009, the housing projects were not yet implemented.
- **Redevelopment Agency Debt Service Fund:** The revenues from tax increments, other than housing set-asides, are deposited into the Redevelopment Agency Debt Service Fund. 2008-2009 revenues were \$8 million. Expenditures were \$3.5 million in 2008-2009. Transfers out totaled \$3 million; these funds were transferred to the Redevelopment Capital Projects Fund to fund redevelopment projects throughout the City. Originally, the City estimated transfers out for of \$5 million for projects, which is \$2 million less than actual because of delayed projects. Therefore, fund balance increased by \$1.5 million to \$12.8 million at June 30, 2009.
- **Fort Ord Capital Projects Fund:** Total revenues in the Fort Ord project area tax increments, other than housing set-asides, are deposited into the Fort Ord Redevelopment Agency Debt Service Fund. Interest earnings in the Capital Projects Fund totaled \$30 thousand. Expenditures were \$1.7 million in 2008-2009. The fund balance decreased to a fund deficit of \$561 thousand due to

expenditures on Fort Ord area redevelopment projects.

- The 2003 Bond Capital Projects Fund is a fund used for the proceeds and the expenditures of the Tax Increment Bonds issued in September 2003. Total proceeds from the long-term debt were \$20.9 million. 2008-2009 revenues from interest earnings and grant funding were \$661 thousand and 2008-2009 expenditures were \$4.5 million for the Auto Center Revitalization Project. The ending fund balance was \$2.6 million, a decrease of 60% from the prior year. The significant decrease is a result of the Auto Center Project nearing completion.

Business-type (Proprietary) Funds

As of June 30, 2009, the City’s proprietary funds net assets were \$11.8 million; unrestricted net assets were a deficit of \$71 thousand and assets restricted for debt service were \$481 thousand. \$11.4 million is the balance of net assets invested in capital assets net of related debt. The most significant capital asset is the Golf Courses; the value of the Golf Course is \$10.1 million net of related debt.

The proprietary funds net assets decreased \$193 thousand, due to a loss of \$160 thousand in the Water Fund and \$33 thousand in the Golf Fund.

CAPITAL ASSETS

The capital assets of the City are those assets, which are used in the performance of the City’s functions including infrastructure assets. At June 30, 2009, net capital assets of the governmental activities totaled \$76.7 million and the net capital assets of the business-type activities totaled \$15.3 million. Depreciation on governmental activities capital assets is recognized in the government-wide financial statements and is included in the fund statements for business-type activities.

Table 4
Capital Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	\$ 8,598.2	\$ 9,726.2	\$ 10,381.8	\$ 10,381.8	\$ 18,980.0	\$ 20,108.0
Construction in progress	17,599.3	21,732.1	3,113.6	3,505.8	20,712.9	25,237.9
Structures and improvements	10,154.9	10,300.2	1,351.8	1,351.8	11,506.7	11,652.0
Equipment and Vehicles	9,750.1	10,144.4	115.3	115.3	9,865.4	10,259.7
Infrastructure	79,415.0	79,415.0	1,867.2	1,867.2	81,282.2	81,282.2
Total assets	125,517.5	131,317.9	16,829.7	17,221.9	142,347.2	148,539.8
Accumulated depreciation	(51,748.9)	(54,605.7)	(1,762.9)	(1,880.0)	(53,511.8)	(56,485.7)
Net Capital Assets	\$ 73,768.6	\$ 76,712.2	\$ 15,066.8	\$ 15,341.9	\$ 88,835.4	\$ 92,054.1

This year’s major capital asset additions included:

- Redevelopment land purchases on Canyon Del Rey Boulevard totaling \$1.1 million for future street and bike lane improvement projects.
- The revitalization of the Auto Center added \$4.1 million to construction in progress of governmental activities.

- The reconstruction of the Golf Courses added \$380 thousand to construction in progress of business-type activities.
- A new Fire Rescue vehicle was financed by a lease purchase agreement, which added \$280 thousand to vehicles.

DEBT AND OTHER LONG-TERM LIABILITIES

Debt of the governmental activities was approximately \$39.2 million as of June 30, 2009, a \$1.5 million or 4% increase from the prior year. The increase is primarily due to a Redevelopment \$3.4 million note payable to the California Department of Parks and Recreation concerning the Fort Ord Dunes State Park within the City of Seaside and the Fire Rescue vehicle lease purchase of \$280 thousand, offset by decreases for principal payments on existing debt of \$2.6 million.

Table 4
Long-term Debt
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Bonds payable	\$ 29,076.7	\$ 27,525.0	\$ 3,926.8	\$ 3,929.4	\$ 33,003.5	\$ 31,454.4
Notes payable	4,797.9	7,473.3	-	-	4,797.9	7,473.3
Capital leases	1,147.3	1,091.8	-	-	1,147.3	1,091.8
Claims payable	1,476.3	1,763.6	-	-	1,476.3	1,763.6
Compensated absences	1,209.0	1,381.8	21.2	25.0	1,230.2	1,406.8
Total long-term debt	<u>\$ 37,707.2</u>	<u>\$ 39,235.5</u>	<u>\$ 3,948.0</u>	<u>\$ 3,954.4</u>	<u>\$ 41,655.2</u>	<u>\$ 43,189.9</u>

BUDGETS AND BUDGETARY ACCOUNTING

The Bi-Annual Budget assures the efficient, effective and economic uses of the City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The City uses the following procedures in establishing the budget reflected in the financial statements:

1. Before the beginning of every other fiscal year the City Manager submits to the City Council a proposed budget for the two years commencing July 1.
2. A public hearing is conducted to obtain public comment.
3. The budget is adopted through passage of a resolution and is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end.
5. Legally adopted budget appropriations are set for the General, Special Revenue, Debt Service, and Capital Projects Funds.

6. Budgetary control is at the City Manager level. A Department Head, with City Manager approval, may transfer up to \$10,000 of appropriations within the department. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer appropriations within a fund or change appropriations between funds.

The 2008-2009 and 2009-2010 fiscal years budget was adopted in June 2008. This was the second two-year budget cycle for the City of Seaside. The advantage to a two-year budget cycle is that it provides the City with a longer strategic planning view. The disadvantage is that estimates made in early 2008 did not apply in 2008-2009 due to the unforeseen downturn in the economic conditions and related changes to management goals and objectives.

Substantial and rapid changes in the economic conditions over the past fiscal year resulted in significant differences between the original and revised budget. The General Fund estimated revenue was \$23.9 million. Property tax, transient occupancy tax, sales tax, licenses and permits, and anticipated property sales were all over budgeted due to the unforeseen drastic fall of the economy. The budget was reduced to \$20.4 during the mid-year budget review, a 15% **reduction**. The original General Fund expenditure budget was \$23.1 million. During the mid-year budget review, the expenditure budget was reduced by \$300 thousand. Actual expenditures were over budget by \$306 thousand or 1.3%. Although there was a net increase in expenditures, nearly all Department's actual expenditures were less than budget due to the 10% salary reductions taken by a number of employee groups, City Hall Friday closure and operating cost cutbacks. The decrease was offset by a significant increase in Public Safety expenditures primarily due to overtime costs. Fire overtime resulting from wildfire mutual aid calls was reimbursed by the state.

The Low – Moderate Income Housing Fund actual revenues of \$1.8 million fell short of the estimated budget by \$366 thousand. The downturn in the economic conditions led to a decrease in property tax revenue and falling interest rates, which resulted in less investment earnings. Actual expenditures were \$545 thousand, which was \$1.8 million less than the budget of \$2.3 million. The difference is primarily due to the proper accounting of a \$1.2 million purchase of land held for resale, which is not reported as an expenditure under generally accepted accounting principles. In addition \$540 thousand was not awarded through the First Time Home Buyers Loan Program due to lack of qualified applicants.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units, or need any additional financial information, contact the Financial Services Manager at 440 Harcourt Avenue, Seaside, California, 93955, phone (831) 899-6721 or e-mail at jcordiero-martinez@ci.seaside.ca.us.

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CITY OF SEASIDE
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 30,305,973	\$ 22,349	\$ 30,328,322
Restricted cash and investments	2,356,171	481,047	2,837,218
Accounts receivable	2,776,508	92,170	2,868,678
Interest receivable	160,726	10	160,736
Net pension asset	6,704,087	-	6,704,087
Internal balances	98,800	(98,800)	-
Loans receivable	2,631,017	-	2,631,017
Assessments receivable	125,000	-	125,000
Deposits	250,000	-	250,000
Deferred charges	638,448	-	638,448
Land held for resale	4,613,624	-	4,613,624
Capital assets:			
Not being depreciated	31,458,234	13,887,661	45,345,895
Being depreciated, net	45,253,964	1,454,244	46,708,208
	<u>127,372,552</u>	<u>15,838,681</u>	<u>143,211,233</u>
Total assets			
Liabilities:			
Accounts payable	2,088,287	48,754	2,137,041
Accrued wages	636,518	13,222	649,740
Interest payable	453,750	-	453,750
Deposits	7,836	-	7,836
Unearned revenue	1,283,876	-	1,283,876
Noncurrent liabilities:			
Due within one year	2,714,319	57,502	2,771,821
Due in more than one year	36,521,182	3,896,917	40,418,099
	<u>43,705,768</u>	<u>4,016,395</u>	<u>47,722,163</u>
Total liabilities			
Net assets:			
Invested in capital assets, net of related debt	73,970,535	11,412,510	85,383,045
Restricted for:			
Restricted for community development	11,156,481	-	11,156,481
Restricted for debt service	1,612,558	481,047	2,093,605
Unrestricted deficit	(3,072,790)	(71,271)	(3,144,061)
	<u>\$ 83,666,784</u>	<u>\$ 11,822,286</u>	<u>\$ 95,489,070</u>
Total net assets			

See Accompanying Notes to Basic Financial Statements.

CITY OF SEASIDE
Statement of Activities
For the Year Ended June 30, 2009

<u>Function/Programs</u>	<u>Expenses</u>	<u>Programs Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
General government	\$ 1,590,578	\$ 999,818	\$ 2,206	\$ -
Public safety	18,050,138	480,225	1,665,195	319,401
Recreation	1,853,683	284,053	-	-
Public works	4,939,218	1,429,312	-	598,378
Community development	10,572,657	229,486	-	3,325
Interest and fiscal charges	2,187,788	-	-	-
Total governmental activities	<u>39,194,062</u>	<u>3,422,894</u>	<u>1,667,401</u>	<u>921,104</u>
Business-type activities:				
Water	757,721	597,837	-	-
Golf	324,448	282,783	-	-
Total business-type activities	<u>1,082,169</u>	<u>880,620</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 40,276,231</u>	<u>\$ 4,303,514</u>	<u>\$ 1,667,401</u>	<u>\$ 921,104</u>

General revenues:

Taxes:

Secured and unsecured property taxes

Transient lodging taxes

Franchise taxes

Utility users taxes

Business license taxes

Sales and use taxes

Motor vehicle in lieu

Investment earnings

Other

Total general revenues

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

See Accompanying Notes to Basic Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
\$ (588,554)	\$ -	\$ (588,554)
(15,585,317)	-	(15,585,317)
(1,569,630)	-	(1,569,630)
(2,911,528)	-	(2,911,528)
(10,339,846)	-	(10,339,846)
(2,187,788)	-	(2,187,788)
<u>(33,182,663)</u>	<u>-</u>	<u>(33,182,663)</u>
-	(159,884)	(159,884)
<u>-</u>	<u>(41,665)</u>	<u>(41,665)</u>
-	(201,549)	(201,549)
<u>(33,182,663)</u>	<u>(201,549)</u>	<u>(33,384,212)</u>
14,217,990	-	14,217,990
2,142,811	-	2,142,811
1,207,788	-	1,207,788
2,489,144	-	2,489,144
536,689	-	536,689
7,135,871	-	7,135,871
118,657	-	118,657
1,208,785	8,353	1,217,138
2,988,881	27	2,988,908
<u>32,046,616</u>	<u>8,380</u>	<u>32,054,996</u>
(1,136,047)	(193,169)	(1,329,216)
<u>84,802,831</u>	<u>12,015,455</u>	<u>96,818,286</u>
<u>\$ 83,666,784</u>	<u>\$ 11,822,286</u>	<u>\$ 95,489,070</u>

CITY OF SEASIDE
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Low/Moderate Income Housing Fund</u>	<u>Redevelopment Agency Capital Projects Fund</u>
Assets:			
Cash and investments	\$ 153,065	\$ 9,938,653	\$ 1,465,166
Restricted cash and investments	-	-	-
Accounts receivable	1,854,466	-	894
Interest receivable	21,593	26,050	6,524
Due from other funds	915,198	-	917,323
Loans receivable	414,000	1,649,942	-
Assessments receivable	-	-	-
Deposits	-	-	125,000
Land held for resale	-	1,213,624	-
Advances to other funds	4,980,407	-	-
	<u>8,338,729</u>	<u>12,828,269</u>	<u>2,514,907</u>
Total assets	<u>\$ 8,338,729</u>	<u>\$ 12,828,269</u>	<u>\$ 2,514,907</u>
Liabilities and fund balances (deficits):			
Liabilities:			
Accounts payable	\$ 799,035	\$ 20,784	\$ 81,072
Accrued wages	542,185	812	4,454
Deposits	-	250	465
Due to other funds	-	-	-
Deferred revenue	661,801	1,649,942	-
Advances from other funds	-	-	4,980,407
	<u>2,003,021</u>	<u>1,671,788</u>	<u>5,066,398</u>
Total liabilities	<u>2,003,021</u>	<u>1,671,788</u>	<u>5,066,398</u>
Fund balances (deficits):			
Reserved for advances	4,980,407	-	-
Reserved for land held for resale	-	1,213,624	-
Reserved for debt service	-	-	-
Reserved for low/moderate housing	-	9,942,857	-
Unreserved undesignated:			
General fund	1,355,301	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	(2,551,491)
Debt service fund	-	-	-
	<u>6,335,708</u>	<u>11,156,481</u>	<u>(2,551,491)</u>
Total fund balances (deficits)	<u>6,335,708</u>	<u>11,156,481</u>	<u>(2,551,491)</u>
Total liabilities and fund balances	<u>\$ 8,338,729</u>	<u>\$ 12,828,269</u>	<u>\$ 2,514,907</u>

See Accompanying Notes to Basic Financial Statements.

2003 Bond Capital Projects Fund	Fort Ord Capital Projects Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Totals
\$ 1,986,940	\$ -	\$ 11,593,601	\$ 3,241,506	\$ 28,378,931
703,741	-	1,612,558	2,496	2,318,795
-	-	-	862,505	2,717,865
7,828	15	48,487	50,229	160,726
-	-	-	1,633,935	3,466,456
-	-	-	567,075	2,631,017
-	-	-	125,000	125,000
-	125,000	-	-	250,000
-	-	-	3,400,000	4,613,624
-	-	-	-	4,980,407
<u>\$ 2,698,509</u>	<u>\$ 125,015</u>	<u>\$ 13,254,646</u>	<u>\$ 9,882,746</u>	<u>\$ 49,642,821</u>
\$ 127,505	\$ 61,981	\$ 457,370	\$ 494,450	\$ 2,042,197
341	2,698	-	65,656	616,146
-	-	-	7,121	7,836
-	621,323	-	2,746,333	3,367,656
-	-	-	692,075	3,003,818
-	-	-	-	4,980,407
<u>127,846</u>	<u>686,002</u>	<u>457,370</u>	<u>4,005,635</u>	<u>14,018,060</u>
-	-	-	-	4,980,407
-	-	-	3,400,000	4,613,624
-	-	1,612,558	-	1,612,558
-	-	-	-	9,942,857
-	-	-	-	1,355,301
-	-	-	1,495,702	1,495,702
2,570,663	(560,987)	-	968,161	426,346
-	-	11,184,718	13,248	11,197,966
<u>2,570,663</u>	<u>(560,987)</u>	<u>12,797,276</u>	<u>5,877,111</u>	<u>35,624,761</u>
<u>\$ 2,698,509</u>	<u>\$ 125,015</u>	<u>\$ 13,254,646</u>	<u>\$ 9,882,746</u>	<u>\$ 49,642,821</u>

CITY OF SEASIDE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Fund balances governmental funds \$ 35,624,761

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not a current resource and, therefore, are not reported in the Governmental Funds Balance Sheet. This amount does not include \$143,070 of internal service capital assets.

Capital assets	\$ 130,616,164	
Less: accumulated depreciation	<u>(54,047,036)</u>	76,569,128

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds. 638,448

Net pension asset is not available to pay for current period expenditures and therefore is not recorded in the Governmental Funds Balance Sheet. 6,704,087

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (453,750)

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This amount does not include \$1,932,690 of internal service noncurrent liabilities. (37,302,811)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 166,979

In governmental funds, other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue. 1,719,942

Net assets of governmental activities \$ 83,666,784

See Accompanying Notes to Basic Financial Statements.

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CITY OF SEASIDE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Low/Moderate Income Housing Fund</u>	<u>Redevelopment Agency Capital Projects Fund</u>
Revenues:			
Taxes and assessments	\$ 18,163,604	\$ 1,433,985	\$ -
Licenses and permits	255,459	-	-
Fines and penalties	151,011	-	-
Use of money and property	185,276	203,014	121,854
Intergovernmental revenues	255,146	-	-
Charges for services	600,039	45	-
Other revenues	386,150	121,517	6,272
Total revenues	<u>19,996,685</u>	<u>1,758,561</u>	<u>128,126</u>
Expenditures:			
Current:			
General government	1,428,644	-	-
Public safety	17,245,640	-	-
Recreation	1,767,670	-	-
Public works	2,366,596	-	-
Community development	287,751	545,274	3,759,200
Pass through payments	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	87,052
Total expenditures	<u>23,096,301</u>	<u>545,274</u>	<u>3,846,252</u>
Excess of revenues over (under) expenditures	<u>(3,099,616)</u>	<u>1,213,287</u>	<u>(3,718,126)</u>
Other financing sources (uses):			
Debt issuance	-	-	-
Capital leases financing	280,431	-	-
Transfers in	1,071,937	-	3,000,000
Transfers out	(542,792)	(30,000)	(100,000)
Total other financing sources (uses)	<u>809,576</u>	<u>(30,000)</u>	<u>2,900,000</u>
Net change in fund balances	(2,290,040)	1,183,287	(818,126)
Fund balances (deficits), beginning of year	<u>8,625,748</u>	<u>9,973,194</u>	<u>(1,733,365)</u>
Fund balances (deficits), end of year	<u>\$ 6,335,708</u>	<u>\$ 11,156,481</u>	<u>\$ (2,551,491)</u>

See Accompanying Notes to Basic Financial Statements.

2003 Bond Capital Projects Fund	Fort Ord Capital Projects Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Totals
\$ -	\$ -	\$ 7,651,136	\$ 530,258	\$ 27,778,983
-	-	-	-	255,459
-	-	-	-	151,011
160,795	31,101	322,872	209,829	1,234,741
-	-	-	5,933,373	6,188,519
-	-	-	-	600,084
500,000	-	80	1,064,964	2,078,983
<u>660,795</u>	<u>31,101</u>	<u>7,974,088</u>	<u>7,738,424</u>	<u>38,287,780</u>
-	-	-	1,526	1,430,170
-	-	-	640,231	17,885,871
-	-	-	-	1,767,670
-	-	-	2,441,439	4,808,035
417,507	1,679,452	42,634	3,010,000	9,741,818
-	-	850,389	-	850,389
4,109,497	-	-	232,059	4,341,556
-	-	1,350,000	879,147	2,229,147
-	-	1,254,353	845,467	2,186,872
<u>4,527,004</u>	<u>1,679,452</u>	<u>3,497,376</u>	<u>8,049,869</u>	<u>45,241,528</u>
<u>(3,866,209)</u>	<u>(1,648,351)</u>	<u>4,476,712</u>	<u>(311,445)</u>	<u>(6,953,748)</u>
-	-	-	3,400,000	3,400,000
-	-	-	-	280,431
-	-	-	1,892,094	5,964,031
-	-	(3,000,000)	(2,305,838)	(5,978,630)
<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>2,986,256</u>	<u>3,665,832</u>
(3,866,209)	(1,648,351)	1,476,712	2,674,811	(3,287,916)
<u>6,436,872</u>	<u>1,087,364</u>	<u>11,320,564</u>	<u>3,202,300</u>	<u>38,912,677</u>
<u>\$ 2,570,663</u>	<u>\$ (560,987)</u>	<u>\$ 12,797,276</u>	<u>\$ 5,877,111</u>	<u>\$ 35,624,761</u>

CITY OF SEASIDE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net Change in Fund Balances \$ (3,287,916)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Assets the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense in the Statement of Activities. This does not include internal service fund activity.

Capital expenditures	\$	6,740,560	
Depreciation		<u>(2,763,077)</u>	
			3,977,483

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the Statement of Net Assets. This does not include internal service activity.

Principal retirement	\$	2,524,183	
Notes payable issued		(3,400,000)	
Capital leases financing		(280,431)	
Compensated absences		(170,063)	
Amortization of premium on debt		26,668	
Amortization of cost of issuance		(32,980)	
Change in net pension asset		<u>(2,787)</u>	(1,335,410)

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds (net change):

Interest payable	\$	5,396	
Deferred revenue		<u>(1,441,924)</u>	(1,436,528)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance, to individual funds. The change in net assets of the internal service funds is reported with the governmental activities.

		<u>946,324</u>
Change in net assets of governmental activities	\$	<u><u>(1,136,047)</u></u>

See Accompanying Notes to Basic Financial Statements.

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CITY OF SEASIDE
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Golf Fund	Total	Activities - Internal Service Funds
Assets:				
Current assets:				
Cash and investments	\$ -	\$ 22,349	\$ 22,349	\$ 1,927,042
Restricted cash and investments	-	481,047	481,047	37,376
Accounts receivable - net	92,170	10	92,180	58,643
Due from other funds	-	36,272	36,272	-
Total current assets	<u>92,170</u>	<u>539,678</u>	<u>631,848</u>	<u>2,023,061</u>
Capital assets:				
Construction in progress	8,447	3,497,418	3,505,865	-
Land	-	10,381,796	10,381,796	-
Structures and improvements	2,918,981	300,000	3,218,981	135,283
Equipment and vehicles	115,272	-	115,272	566,408
	<u>3,042,700</u>	<u>14,179,214</u>	<u>17,221,914</u>	<u>701,691</u>
Less accumulated depreciation	<u>(1,753,343)</u>	<u>(126,666)</u>	<u>(1,880,009)</u>	<u>(558,621)</u>
Total capital assets	<u>1,289,357</u>	<u>14,052,548</u>	<u>15,341,905</u>	<u>143,070</u>
Total assets	<u>1,381,527</u>	<u>14,592,226</u>	<u>15,973,753</u>	<u>2,166,131</u>
Liabilities and net assets:				
Current liabilities:				
Accounts payable	48,754	-	48,754	46,090
Accrued wages	13,222	-	13,222	20,372
Due to other funds	135,072	-	135,072	-
Compensated absences	2,502	-	2,502	-
Claims payable	-	-	-	176,359
Bonds payable	-	55,000	55,000	-
Total current liabilities	<u>199,550</u>	<u>55,000</u>	<u>254,550</u>	<u>242,821</u>
Long-term liabilities:				
Capital leases	-	-	-	130,367
Compensated absences	22,522	-	22,522	38,731
Claims payable	-	-	-	1,587,233
Bonds payable	-	3,874,395	3,874,395	-
Total long-term liabilities	<u>22,522</u>	<u>3,874,395</u>	<u>3,896,917</u>	<u>1,756,331</u>
Total liabilities	<u>222,072</u>	<u>3,929,395</u>	<u>4,151,467</u>	<u>1,999,152</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	1,289,357	10,123,153	11,412,510	12,703
Restricted for debt service	-	481,047	481,047	-
Unrestricted (deficit)	<u>(129,902)</u>	<u>58,631</u>	<u>(71,271)</u>	<u>154,276</u>
Total net assets	<u>\$ 1,159,455</u>	<u>\$ 10,662,831</u>	<u>\$ 11,822,286</u>	<u>\$ 166,979</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF SEASIDE
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Golf Fund	Total	Activities - Internal Service Funds
Operating revenues:				
Charges for services	\$ 597,837	\$ 282,783	\$ 880,620	\$ 4,105,322
Other revenues	27	-	27	14,901
Total operating revenues	<u>597,864</u>	<u>282,783</u>	<u>880,647</u>	<u>4,120,223</u>
Operating expenses:				
Salaries and wages	207,064	-	207,064	344,581
Payroll expenses	126,481	-	126,481	219,402
Contracted services	2,979	-	2,979	7,109
Technical services	16,476	-	16,476	1,785,936
Supplies	17,604	-	17,604	33,795
Utilities	35,142	-	35,142	98,598
Claims expense	18,100	-	18,100	-
General expenses	254,053	1,800	255,853	619,608
Depreciation	79,822	37,298	117,120	93,693
Total operating expenses	<u>757,721</u>	<u>39,098</u>	<u>796,819</u>	<u>3,202,722</u>
Operating income (loss)	(159,857)	243,685	83,828	917,501
Nonoperating revenues (expenses):				
Investment earnings	3	8,350	8,353	14,224
Interest expense	-	(285,350)	(285,350)	-
Total nonoperating revenue (expenses)	<u>3</u>	<u>(277,000)</u>	<u>(276,997)</u>	<u>14,224</u>
Income (loss) before transfers	(159,854)	(33,315)	(193,169)	931,725
Transfers in	-	-	-	14,599
Change in net assets	(159,854)	(33,315)	(193,169)	946,324
Net assets (deficit), beginning of year	<u>1,319,309</u>	<u>10,696,146</u>	<u>12,015,455</u>	<u>(779,345)</u>
Net assets, end of year	<u>\$ 1,159,455</u>	<u>\$ 10,662,831</u>	<u>\$ 11,822,286</u>	<u>\$ 166,979</u>

See Accompanying Notes to Financial Statements.

CITY OF SEASIDE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Golf	Total	Activities -
	Fund	Fund		Internal Service
				Funds
Cash flows from operating activities:				
Receipts from customers	\$ 587,146	\$ 291,765	\$ 878,911	\$ 4,102,673
Payments to suppliers and users	(311,516)	(1,800)	(313,316)	(2,268,382)
Payments to employees	(331,416)	-	(331,416)	(573,373)
Net cash provided (used) by operating activities	(55,786)	289,965	234,179	1,260,918
Cash flows from noncapital financing activities:				
Cash paid from (to) other funds	36,272	(36,272)	-	14,599
Net cash provided (used) by non-capital financing activities	36,272	(36,272)	-	14,599
Cash flows from capital and related financing activities:				
Interest paid	-	(282,783)	(282,783)	-
Principal paid on capital debt	-	-	-	(61,435)
Purchase of capital assets	(8,447)	(383,775)	(392,222)	(71,910)
Net cash provided (used) by capital and related financing activities	(8,447)	(666,558)	(675,005)	(133,345)
Cash flows from investing activities:				
Interest on investments	3	8,350	8,353	14,224
Net increase (decrease) in cash and cash equivalents	(27,958)	(404,515)	(432,473)	1,156,396
Cash and cash equivalents, beginning of year	27,958	907,911	935,869	808,022
Cash and cash equivalents, end of year	\$ -	\$ 503,396	\$ 503,396	\$ 1,964,418
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (159,857)	\$ 243,685	\$ 83,828	\$ 917,501
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	79,822	37,298	117,120	93,693
(Increase) decrease in operating assets:				
Accounts receivable	(10,718)	8,992	(1,726)	(33,600)
Interest receivable	-	(10)	(10)	-
Prepaid expenses	4,872	-	4,872	49,452
Increase (decrease) in operating liabilities:				
Accounts payable	27,966	-	27,966	(54,837)
Accrued wages	(1,648)	-	(1,648)	(1,407)
Compensated absences	3,777	-	3,777	2,812
Claims payable	-	-	-	287,304
Net cash provided (used) by operating activities	\$ (55,786)	\$ 289,965	\$ 234,179	\$ 1,260,918

See Accompanying Notes to Basic Financial Statements.

CITY OF SEASIDE
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

	Agency Funds
Assets:	
Cash and investments	\$ 2,279,498
Accounts receivable	409,696
	<hr/>
Total assets	\$ 2,689,194
	<hr/> <hr/>
Liabilities:	
Accounts payable	\$ 257,336
Other liabilities	2,431,858
	<hr/>
Total liabilities	\$ 2,689,194
	<hr/> <hr/>

See Accompanying Notes to Financial Statements.

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CITY OF SEASIDE
Notes to Basic Financial Statements
June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Seaside (City), which is the primary government, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's basic financial statements. This City's component unit, which is described below, is a blended component unit of the City.

The City Council serves in a separate session as the governing body of the Redevelopment Agency of the City of Seaside (Agency), although the Agency is a legal entity apart from the City.

The Agency is included as a component unit in the accompanying financial statements. The financial activities of the foregoing entity have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as they meet the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The Agency was established by the City Council to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. The Agency exists for the purpose of facilitating the City's capital improvement program. Separate financial statements are prepared by the Agency and are available at City Administration offices.

The Seaside Joint Powers Financing Authority is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated March 29, 1988, by and between the City of Seaside and the Redevelopment Agency of the City of Seaside. The members of the City Council constitute the members of the Board of Directors of the Authority. The Authority is authorized to borrow money for the purpose of financing the acquisition or construction of capital improvements, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City or Assessment Districts of the City. Currently the Authority has only issued lease revenue bonds, to be used to finance the costs of capital improvements to the irrigation system of the City's Bayonet and Black Horse golf courses.

Separate component unit financial statements for the Seaside Joint Powers Financing Authority are not issued.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. 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 support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus (excluding fiduciary funds, which do not have a measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year for which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end, except for property taxes which is considered revenue if collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

Property taxes, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The City reports the following major governmental funds:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

Low/Moderate Income Housing Fund

This fund accounts for the portion of the Redevelopment Agency's tax increment funds received from the County, set aside for low-and-moderate income redevelopment housing purposes.

Redevelopment Agency Capital Projects Fund

This fund is used to account for the accumulation of resources for, and the payment of, capital and related costs in the Redevelopment Agency.

2003 Bond Capital Projects Fund

This fund accounts for the capital activity associated with the 2003 Bond issue.

Fort Ord Capital Projects Fund

This fund accounts for redevelopment capital improvements.

Redevelopment Agency Debt Service

This fund is used to account for the accumulation of resources for, and the payment of, debt service related costs in the Redevelopment Agency.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

The City reported the following major proprietary funds:

Water Fund

This fund accounts for the activities of providing water to residents of the City.

Golf Fund

This fund accounts for the activities of the City's golf course.

Additionally, the City reports the following fund types:

Governmental Funds:

The Special Revenue Funds are used to account for the revenues derived from specific revenue sources which are usually required by law or administrative regulation to be accounted for in separate funds.

The Debt Service Funds are used to account for the repayment of revenue bonds.

The Capital Projects Funds are used to account for financial resources segregated for the development, construction and improvement of City facilities.

Proprietary Funds:

The Internal Service Funds are used to account for the financing of services provided by one department to other departments of the government, on a cost reimbursement basis.

Fiduciary Funds:

The Agency Funds are used to account for assets held by the City as an agent for individuals, private businesses and other governmental agencies. These assets include cash deposits which are both expendable and refundable. Refundable cash deposits are held pending satisfactory project completion.

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 no 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Golf enterprise funds and of the government's internal service funds are charges to customers for sales, services and rent. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

(d) *Assets, Liabilities, and Net Assets or Equity*

1. Cash and Investments

The City's cash and investments are cash on hand, demand deposits, money market funds, investments with fiscal agent, Monterey County Investment Pool and State of California Local Agency Investment Fund. Investments are stated at fair value (the value at which a financial instrument could be exchanged, other than in a forced or liquidation sale).

2. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add value to the assets or materially extend the ages are not capitalized. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year depending on asset type. Depreciation is charged to operations using the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Buildings	20-50 years
Improvements	33-60 years
Equipment	2-15 years
Streets	20 years
Parks	20 years
Curb and Gutter	20 years
Storm Drains	65 years

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

3. *Compensated Absences*

All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for the current employees at the current rates of pay. Unused vacation leave, up to a maximum of one year, accumulated prior to October 1, 1978, may be carried over and utilized or paid at time of termination from the City's employment. For vacation leave earned after October 1, 1978, the maximum vacation leave that can be carried over to January 1 of any future year is less than two years' earned vacation.

Unused sick leave accumulated before December 1, 1978, may be carried over and utilized or paid at the time of termination. For sick leave earned after December 1, 1978, one-half of the annual sick leave earned may be paid out once a year. The balance of unused sick leave is convertible to PERS service credits upon retirement. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

4. *Property Taxes*

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations are established by the Assessor of the County of Monterey for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13) adopted by the voters on June 6, 1978, properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies are limited to 1% of full market value, which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Lien Dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied as of July 1 of the fiscal year on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections are the responsibility of the county tax collector. Taxes and assessments on secured and utility tolls which constitute a lien against the property, may be paid in two installments. The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10. The second is due on February 1 of the fiscal year and is delinquent if not

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

Tax Levy Apportionments – Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – The State of California FY 90-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes.

5. *Net Assets*

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

6. *Fund Balances - Reservations and Designations*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB, requires management to make 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

(2) DEFICIT FUND BALANCES, BUDGETARY INFORMATION

The following funds had deficit fund balances at June 30, 2009:

Major Funds:

Redevelopment Agency Capital Projects Fund	\$2,551,491
Fort Ord Capital Projects Fund	\$560,987

Nonmajor Governmental Funds:

Public Safety Grants Fund	\$12,169
Supplemental Law Enforcement Grant Fund	\$84,504
Presidio O & M Activities (POMA) Fund	\$726,575
Laguna Grande Project Fund	\$372,882
Storm Water Fund	\$644,660
Del Monte Rehab Fund	\$1,526
General Capital Projects Fund	\$88,270
Self Insurance Internal Service Fund	\$154,884

These deficits are expected to be eliminated with future revenues from services, fees, reimbursements from federal agencies, and transfers from the General Fund. In respect to the Presidio O & M fund, a detailed analysis will be performed by City staff to determine if there are additional billings to the federal agency needed to recapture payments to contractors that might not have been billed to the federal agency. In respect to the Laguna Grande Project Fund further analysis will be performed by the City to determine specifically where reimbursements will come from. In respect to the Storm Water Fund if the City's Master Plan is approved fees to ratepayers will be used to cover the negative net assets.

Expenditures in Excess of Appropriations

During the year ended June 30, 2009, the City exceeded its appropriations in the Police Department and Fire Department, by \$983,045 and \$638,859 respectfully. This was primarily due to overtime costs and wildfire mutual aid calls.

(3) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

Statement of net assets:

Cash and investments	\$ 30,328,322
Restricted cash and investments	2,837,218

Fiduciary funds:

Cash and investments	2,279,498
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Total cash and investments	\$ 35,445,038
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Cash and investments as of June 30, 2009 consisted of the following:

Cash on hand	\$ 16,647
Deposits with financial institutions	586,637
Investments	34,841,754

Total cash and investments	\$ 35,445,038
----------------------------	---------------

Investments Authorized by the California Government Code and the City's investment Policy:

The City's investment policy authorizes investment in all investments authorized under provisions of California Government Code Section 53601. Certain investments authorized by the code are limited to maximum portfolio percentages and maximum maturities.

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

Investment Type	Maturity (In Months) 12 Months or Less
State Investment Pool (LAIF)	\$ 31,695,161
Monterey County Investment Pool	1,050,491
Held by fiscal agents:	
Money Market Funds	2,096,102
Total	\$ 34,841,754

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and the Monterey County Investment Pool do not have a rating provided by a nationally recognized statistical rating organization.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
State Investment Pool	\$ 31,695,161	N/A	\$ -	\$ 31,695,161
Monterey County Investment Pool	1,050,491	N/A	-	1,050,491
Held by fiscal agents:				
Money Market Funds	2,096,102	N/A	2,096,102	-
Total	\$ 34,841,754		\$ 2,096,102	\$ 32,745,652

Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the City's investments (external investment pools and mutual funds are excluded from this disclosure requirement.)

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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.

None of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment 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. The Local Investment Advisory Board has oversight responsibility for LAIF. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

LAIF management has indicated that as of June 30, 2009, the amortized cost of the pool was \$50,784,427,116 and the estimated fair value of the pool was \$50,853,707,566. Included in the LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset backed securities, which were approximately 14.71% of the pool asset backed securities.

Investment in the Monterey County Pool

The City is a voluntary participant in the Monterey County Investment Pool which is regulated by the California Government Code under the oversight of the County Treasurer. The fair value of the City's investment in this pool is reported in the accompanying financial statement at amounts based upon the City's pro-rata share of the fair value provided by Monterey County Treasurer for the entire investment portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the County of Monterey Treasurer. The average maturity of the County Pool was 77 days.

(b) *Loans Receivable*

Housing Rehabilitation and Affordable Housing Loans

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or zero interest loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs at June 30, 2009 was \$2,631,017.

(c) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008 as Restated *	Additions	Deletions	Balance June 30, 2009
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 8,598,167	\$ 1,128,027	\$ -	\$ 9,726,194
Construction in progress	17,599,361	4,262,351	129,672	21,732,040
Total nondepreciable capital assets	<u>26,197,528</u>	<u>5,390,378</u>	<u>129,672</u>	<u>31,458,234</u>
Depreciable capital assets:				
Structures and improvements	10,154,869	145,359	-	10,300,228
Equipment and vehicles	9,750,088	394,276	-	10,144,364
Infrastructure	79,415,029	-	-	79,415,029
Total depreciable capital assets	99,319,986	539,635	-	99,859,621
Less accumulated depreciation	<u>(51,748,887)</u>	<u>(2,856,770)</u>	<u>-</u>	<u>(54,605,657)</u>
Net depreciable capital assets	<u>47,571,099</u>	<u>(2,317,135)</u>	<u>-</u>	<u>45,253,964</u>
Net governmental activities, capital assets	<u>\$ 73,768,627</u>	<u>\$ 3,073,243</u>	<u>\$ 129,672</u>	<u>\$ 76,712,198</u>

* See restatement at Note (4)(e).

Depreciation Allocations

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each function or program, excluding internal service fund depreciation, were as follows:

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

Governmental Activities:	
General government	\$ 2,999
Public works	2,162,618
Recreation	143,878
Community development	86,013
Public safety	367,569
Capital assets held by internal service funds are charged to the various functions based on usage of the assets	93,693
Total depreciation expense - governmental activities	\$ 2,856,770

Business-type Activities	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Nondepreciable capital assets:				
Land	\$ 10,381,796	\$ -	\$ -	\$ 10,381,796
Construction in progress	3,113,643	392,222	-	3,505,865
Total nondepreciable capital assets	13,495,439	392,222	-	13,887,661
Depreciable capital assets:				
Structures and improvements	1,351,786	-	-	1,351,786
Equipment and vehicles	115,272	-	-	115,272
Infrastructure	1,867,195	-	-	1,867,195
Total depreciable capital assets	3,334,253	-	-	3,334,253
Less accumulated depreciation	(1,762,889)	(117,120)	-	(1,880,009)
Net depreciable capital assets	1,571,364	(117,120)	-	1,454,244
Net governmental activities, capital assets	\$ 15,066,803	\$ 275,102	\$ -	\$ 15,341,905

Depreciation Allocation

Depreciation expense of \$79,822 was charged to the Water Fund and \$37,298 was charged to the Golf Fund.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

(d) *Interfund Receivables, Payables and Transfers*

1. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid within one year.. The following is a summary of interfund balances as of June 30, 2009.

Due to/Due from

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 915,198	\$ -
Redevelopment Agency capital projects fund	917,323	-
Fort Ord capital projects fund	-	621,323
Nonmajor governmental funds	1,633,935	2,746,333
Proprietary Funds:		
Water fund	-	135,072
Golf fund	36,272	-
Total	<u>\$ 3,502,728</u>	<u>\$ 3,502,728</u>

The purpose of Due To/Due From was to cover negative cash balances in these funds.

2. Long-Term Interfund Advances

On June 15, 1995, a loan agreement was entered into between the Redevelopment Agency of the City of Seaside and the City of Seaside whereby the Agency would repay these advances using the tax increment revenue, when available, from the respective project areas. Amounts due to the City of Seaside are at 1% per annum above the reference rate charged by Wells Fargo Bank, San Francisco, California, which was 1.75% as of June 30, 2009. During the year, the net change in the outstanding balance included a repayment of \$2,125,000 and an addition of \$87,052 representing accrued interest. The outstanding balance at June 30, 2009, was \$4,980,407.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

3. Interfund Transfers

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 1,071,937	\$ 542,792
Low/Moderate income housing fund	-	30,000
Redevelopment Agency capital projects fund	3,000,000	100,000
Redevelopment Agency debt service fund	-	3,000,000
Nonmajor governmental funds	1,892,094	2,305,838
Internal Service fund:		
Management information system	14,599	-
Total	\$ 5,978,630	\$ 5,978,630

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

(e) *Long-Term Debt*

1. *Changes in Long-Term Liabilities*

Long-term liability activity for the year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2008</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:					
Limited Obligation					
Improvement Bonds	\$ 180,000	\$ -	\$ 55,000	\$ 125,000	\$ 60,000
Taxable Pension Obligation Bond	6,825,000	-	120,000	6,705,000	140,000
Tax Allocation Bonds	21,405,000	-	1,350,000	20,055,000	1,395,000
Plus unamortized premium	666,709	-	26,668	640,041	26,668
Notes payable	4,797,873	3,400,000	724,607	7,473,266	484,506
Capital leases	1,147,331	280,431	336,011	1,091,751	293,601
Claims payable	1,476,288	287,304	-	1,763,592	176,359
Compensated absences	1,208,976	172,875	-	1,381,851	138,185
Governmental activity long-term liabilities	<u>\$ 37,707,177</u>	<u>\$ 4,140,610</u>	<u>\$ 2,612,286</u>	<u>\$ 39,235,501</u>	<u>\$ 2,714,319</u>
<u>Business-type Activities</u>					
Bonds payable:					
Lease Revenue Bonds	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000	\$ 55,000
Less bond discount	(73,172)	-	2,567	(70,605)	-
Compensated absences	21,247	3,777	-	25,024	2,502
Business-type activity long-term liabilities	<u>\$ 3,948,075</u>	<u>\$ 3,777</u>	<u>\$ 2,567</u>	<u>\$ 3,954,419</u>	<u>\$ 57,502</u>

2. *Limited Obligation Improvement Bonds*

Citywide Sidewalk, Curb, and Gutter Assessment

On July 31, 1995, the City issued \$ 617,126 principal amount Citywide Sidewalk, Curb, and Gutter Assessment District Series 1995 Improvement Bonds. The bond proceeds were used to improve citywide sidewalks, curbs, and gutters. Interest rates range from 4.75% to 7.20% and interest is payable semiannually on each March 2 and September 2. Principal matures annually each September 2. The bonds mature from fiscal years ending 1996 to 2011. The remaining bond maturities are as follows:

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 60,000	\$ 6,840	\$ 66,840
2011	65,000	2,340	67,340
Total	<u>\$ 125,000</u>	<u>\$ 9,180</u>	<u>\$ 134,180</u>

3. Taxable Pension Obligation Bonds

On April 1, 2007, the City of Seaside pursuant to an Agreement with the California Statewide Communities Development Authority issued \$6,880,000 of Pension Obligation Bonds. The aggregate total amount of the bonds for all agencies was \$87,475,699, which includes \$65,140,000 of Series A-1 current interest and \$22,335,699 of Series A-2 capital appreciation bonds. The City of Seaside participated only in the issuance of Series A-1 Bonds. Interest on the Series A-1 Bonds is payable on June 1 and December 1, commencing December 1, 2007. The rate of interest varies from 5.06% to 5.30% per annum. Principal is payable in annual installments ranging from \$55,000 to \$690,000, commencing on December 1, 2007 with final maturity in fiscal year 2025. The balance outstanding as of June 30, 2009 was \$6,705,000.

Optional Redemption: The Series A-1 Current Interest Bonds maturing on or before June 1, 2017 will not be subject to optional redemption. The bonds maturing on June 1, 2021 are subject to optional redemption prior to maturity at the option of the Authority, or in part on any date at a redemption price equal to the greater of (1) 100% of principal to be redeemed or (2) present value of the remaining debt service discounted at Treasury Rate plus 12.5 basis points, plus accrued and unpaid interest on the Redeemable Term Bonds being redeemed to the date fixed for redemption. The remaining bond maturities are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 140,000	\$ 360,377	\$ 500,377
2011	170,000	353,280	523,280
2012	195,000	344,626	539,626
2013	225,000	334,623	559,623
2014	260,000	323,013	583,013
2015-2019	1,890,000	1,369,197	3,259,197
2020-2024	3,080,000	733,792	3,813,792
2025	745,000	40,856	785,856
Total	<u>\$ 6,705,000</u>	<u>\$ 3,859,764</u>	<u>\$ 10,564,764</u>

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

4. Tax Allocation Bonds

Merged Project Area

On March 15, 2001, the Redevelopment Agency of the City of Seaside issued the Merged Project Area Tax Allocation Refunding Bonds, Series 2001. The bond proceeds are to be used to refund the Gateway Project Tax Allocation Bonds and the Laguna Grande Project Tax Allocation Bonds. Interest rates range from 3.50% to 4.95% and interest is payable semiannually on each February 1 and August 1. Principal matures annually each August 1 through fiscal year 2014. The outstanding bonds mature as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 210,000	\$ 51,940	\$ 261,940
2011	220,000	41,405	261,405
2012	235,000	30,258	265,258
2013	245,000	18,498	263,498
2014	<u>255,000</u>	<u>6,248</u>	<u>261,248</u>
Total	<u>\$ 1,165,000</u>	<u>\$ 148,349</u>	<u>\$ 1,313,349</u>

On September 24, 2003, the Redevelopment Agency of the City of Seaside issued the Merged Project Area, Tax Allocation Bonds, Series 2003. The bond proceeds are to be used in the Merged Project Area. Interest is payable semiannually on each February 1 and August 1, and ranges from 4.62% to 5.375%. Principal matures annually each August 1 through fiscal year 2034. The outstanding bonds mature as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 1,185,000	\$ 903,025	\$ 2,088,025
2011	1,240,000	842,400	2,082,400
2012	1,300,000	785,400	2,085,400
2013	1,350,000	729,713	2,079,713
2014	1,410,000	672,063	2,082,063
2015-2019	9,595,000	2,043,353	11,638,353
2020-2024	1,130,000	544,022	1,674,022
2025-2029	730,000	357,438	1,087,438
2030-2034	<u>950,000</u>	<u>133,031</u>	<u>1,083,031</u>
Total	<u>\$ 18,890,000</u>	<u>\$ 7,010,445</u>	<u>\$ 25,900,445</u>

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

The Agency has pledged a portion of property tax revenue to repay the two tax allocation bonds. These revenues have been pledged until fiscal year 2034. The total debt service principal and interest for the tax allocation bonds is \$27,213,794. Pledged tax revenues recognized during the year ended June 30, 2009 was \$9,563,921 as against the total debt service payments of \$2,604,353.

5. Notes Payable

HUD Note

On October 28, 1998, the City incurred a note payable in the original principal amount of \$3,030,000 at an interest rate of 8.25%, as pursuant to a Trust agreement with the Secretary of the Housing and Urban Development and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. Principal payments are payable annually, on August 1, and interest payments are payable semiannually, on August 1 and February 1. Required payments as of June 30, 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 165,000	\$ 120,180	\$ 285,180
2011	180,000	108,551	288,551
2012	190,000	95,960	285,960
2013	215,000	82,076	297,076
2014	230,000	66,710	296,710
2015-2016	835,000	94,040	929,040
Total	<u>\$ 1,815,000</u>	<u>\$ 567,517</u>	<u>\$ 2,382,517</u>

Animal Shelter Note

On September 5, 2001, the City incurred a \$313,760 principal amount note payable at a variable interest rate based on the prior fiscal year rate of return on Monterey County's Pooled Investment Portfolio and matures in 2016. The original proceeds from this note were used to help construct a new animal shelter for the County of Monterey. Principal and interest are payable annually, on September 1. The outstanding principal balance at June 30, 2009 is \$174,913.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

Required payments as of June 30, 2009 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 21,483	\$ 8,745	\$ 30,228
2011	22,556	7,671	30,227
2012	23,685	6,543	30,228
2013	24,869	5,359	30,228
2014	26,112	4,116	30,228
2015-2016	56,208	4,249	60,457
Total	<u>\$ 174,913</u>	<u>\$ 36,683</u>	<u>\$ 211,596</u>

Note Payable – Golf Course

On December 12, 2005, the Redevelopment Agency of the City of Seaside secured a \$5,000,000 principal amount note payable at an interest rate of 6.5% and maturing December 15, 2008 from Rabobank (formerly Community Bank). The original proceeds from this note were used to purchase the existing golf course lessee’s leasehold interest to facilitate the removal of the Resort Project land from the lease premises within the Redevelopment Area.

On January 22, 2009, the Redevelopment Agency extended this note. The note is due on December 15, 2010, including all accrued interest not yet paid. No payment was made during the current fiscal year. The outstanding balance at June 30, 2009 was \$2,637,500.

Note Payable – CA Dept of Parks and Recreation

On August 28, 2008, the Redevelopment Agency of the City of Seaside secured a \$3,400,000 note payable from California Department of Parks and Recreation. The original proceeds from this note were used to pay the California Department of Parks and Recreation concerning the Fort Ord Dunes State Park within the City of Seaside. The note is payable over ten years with a 5% simple interest. The outstanding balance at June 30, 2009 was 2,845,853.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

The following is a schedule of the payments due as of June 30, 2009:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 298,023	\$ 142,293	\$ 440,316
2011	312,924	127,392	440,316
2012	328,570	111,745	440,315
2013	344,999	95,317	440,316
2014	362,249	78,067	440,316
2015-2017	<u>1,199,088</u>	<u>121,857</u>	<u>1,320,945</u>
Total	<u>\$ 2,845,853</u>	<u>\$ 676,671</u>	<u>\$ 3,522,524</u>

6. Capital Leases Payable

Under the following capital lease obligations, the City makes payments, which are sufficient to pay the principal and interest on the leases. Ownership of the leased property transfers to the City at the end of the lease term. The balance of debt evidenced by the leases has been included in the City's financial statements as they are in essence financing arrangements, with ownership of the financed assets being transferred to the City at its conclusion.

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Equipment and vehicles	\$ 2,582,277
Less: Accumulated Depreciation	<u>(1,950,801)</u>
Total	<u>\$ 631,476</u>

a. SunTrust Leases

During the fiscal year 2002-03, the City entered into an agreement to lease several vehicles. The imputed interest rate is 3.9%. Principal and interest are payable annually on November 1st until 2011. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 is \$236,803.

During the fiscal year 2005-06, the City entered into an agreement to lease several vehicles. The imputed interest rate is 4.0%. Principal and interest are payable annually on September 1st until 2009. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 is \$87,799.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

During the fiscal year 2006-07, the City entered into an agreement to lease several vehicles. The imputed interest rate is 4.0%. Principal and interest are payable annually on November 14th until 2016. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 is \$473,294.

b. *Balboa Capital*

During the fiscal year 2007-08, the City entered into an agreement to lease several pieces of fitness equipment. The imputed interest rate is 16.957%. Principal and interest are payable monthly until April 2013. The net present value of these minimum lease payments as of June 30, 2009 is \$13,424.

c. *Diversified Lenders, Inc.*

During the fiscal year 2006-07, the City entered into a lease purchase agreement for general ledger software. The imputed interest rate is 8.8%. Principal and interest are payable monthly until May 2009. The lease was paid off in May 2009.

d. *Oshkosh Capital*

During the fiscal year 2008-09, the City entered into a lease purchase agreement for fire rescue vehicle. The imputed interest rate is 26%. Principal and interest are payable annually until August 2018. The net present value of these minimum lease payments as of June 30, 2009 is \$280,431.

Required payments on the capital leases listed above as of June 30, 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 293,601	\$ 45,725	\$ 339,326
2011	208,992	39,034	248,026
2012	149,200	29,761	178,961
2013	70,222	22,780	93,002
2014	69,782	19,231	89,013
2015-2019	299,954	43,143	343,097
Total	<u>\$ 1,091,751</u>	<u>\$ 199,674</u>	<u>\$ 1,291,425</u>

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

7. *Golf Course Lease Revenue Bonds*

On December 14, 2006, the City of Seaside Joint Powers Financing Authority issued the Lease Revenue Bonds, Series 2006. The bond proceeds are to be used to finance the costs of capital improvements to the irrigation system of the City’s Bayonet and Black Horse Golf courses. Interest rates range from 6.70% to 7.125% and interest is payable semiannually on each February 1 and August 1. Principal matures annually each August 1 through fiscal year 2036. The outstanding bonds mature as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 55,000	\$ 282,783	\$ 337,783
2011	55,000	279,098	334,098
2012	60,000	275,413	335,413
2013	65,000	271,333	336,333
2014	70,000	266,913	336,913
2015-2019	430,000	1,255,844	1,685,844
2020-2024	600,000	1,082,950	1,682,950
2025-2029	850,000	836,831	1,686,831
2030-2034	1,205,000	486,281	1,691,281
2035-2036	610,000	65,907	675,907
Total	<u>\$ 4,000,000</u>	<u>\$ 5,103,353</u>	<u>\$ 9,103,353</u>

(4) OTHER INFORMATION

(a) *Defined Benefit Pension Plan-California Public Employees’ Retirement System Plan Description (PERS)*

The City contributes to the California Public Employees’ Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS’ annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, CA 95814.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

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 is required to contribute at an actuarially determined rate; the current rate is 8.596% for miscellaneous employees, and 18.796% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

For fiscal year 2008-2009, the City's annual pension cost was \$2,221,350 and the City actually contributed \$2,218,563. The City contributed \$1,806,380 and \$2,655,801 in fiscal years 2008 and 2007, respectively.

The City's change in net pension asset for the year ended June 30, 2009 was as follows (amounts in thousands):

Annual required contribution	\$ (2,218,563)
Interest on beginning net pension asset	519,783
Adjustment to the annual required contribution	<u>(522,570)</u>
Annual pension cost	(2,221,350)
Contributions made	<u>2,218,563</u>
Change in net pension asset	(2,787)
Net pension asset, beginning of year	<u>6,706,874</u>
Net pension asset, end of year	<u><u>\$ 6,704,087</u></u>

The City's contribution to the plan in the year ended June 30, 2007 included \$6,706,874 from the proceeds of the Pension Obligation Refunding Bonds Series 2007. The City's contribution for 2009 was equal to the annual required contribution, which was less than the annual pension cost as a result of the pension obligation bond transaction.

TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
06/30/07	\$ 1,679,933	498%
06/30/08	1,790,970	101%
06/30/09	2,221,350	100%

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

(b) *Self-Insurance and Contingent Liabilities*

1. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

City of Seaside is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

2. Self-Insurance Programs of the Authority

General Liability – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies (4b) subject to a \$3,000,000 annual aggregate deductible (4c) and a quota-sharing agreement whereby the Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

Workers' Compensation – City of Seaside also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

\$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

3. *Purchased Insurance*

Environmental Insurance – City of Seaside participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by City of Seaside. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance – City of Seaside participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Seaside property is currently insured according to a schedule of covered property submitted by City of Seaside to the Authority. City of Seaside property currently has all-risk property insurance protection in the amount of \$23,637,919. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance – City of Seaside purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Seaside property currently has earthquake protection in the amount of \$13,637,798. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance – City of Seaside purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance – City of Seaside further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Seaside according to a schedule. City of Seaside then pays for the insurance. The insurance is arranged by the Authority.

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

4. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

(c) Contingencies and Commitments

The City is involved in various litigation. In the opinion of management and legal counsel, the disposition on all litigation pending will not have a material effect on the City's financial statements.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

The City discontinued providing workers' compensation through Joint Powers Agency (JPA), Monterey Bay Area Self Insurance Authorities as of June 30, 2004. The City switched to California Joint Powers Insurance Authority (California JPIA), on July 1, 2004. The City is liable for all workers compensation claims outstanding as of June 30, 2004. The City uses a third party insurance services group to analyze the claims. Reserves are reviewed in accordance with State Guidelines, specifically California Code of Regulations 15300. Actuarial studies are not completed to determine the reserves. Changes in the balances of claims liabilities since July 1, 2007 resulted from the following:

Net unpaid claims - July 1, 2007	\$ 1,702,031
Changes in estimates	(174,975)
Claim payments	<u>(50,768)</u>
Unpaid claims - June 30, 2008	<u>\$ 1,476,288</u>
Net unpaid claims - July 1, 2008	\$ 1,476,288
Changes in estimates	291,825
Claim payments	<u>(4,521)</u>
Unpaid claims - June 30, 2009	<u>\$ 1,763,592</u>

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

(d) Subsequent Events

1. On July 24, 2009, the State Legislature passed Assembly Bill AB 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county “Supplemental” Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State’s Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency’s share of this revenue shift is approximately \$3,972,376 in fiscal year 2009-2010 and estimated at \$817,502 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency intends to borrow the amount required to be allocated to the Agency and use existing Low/Moderate Income Housing Fund balance to pay both the 2009-2010 and 2010-2011 SERAF. The Agency intends to repay the Low/Moderate Income Housing Fund by June 30, 2015 with respect to the 2009-2010 SERAF payment and by June 30, 2016 with respect to the 2010-2011 SERAF payment.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year’s successful lawsuit challenging the constitutionality of AB 1389. CRA filed its lawsuit on October 20, 2009. The lawsuit will assert that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year’s lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

2. On June 18, 2009, the Redevelopment Agency of the City of Seaside approved the issuance of its Seaside-Fort Ord Redevelopment Project Area Subordinate Tax Allocation Note, Series 2009 to finance a portion of the cost of a Redevelopment Project and providing for the sale of the note to the City of Seaside Joint Powers Financing Authority. The loan of an amount not to exceed \$3,000,000 was issued August 1, 2009, and will be repaid within five years. The loan will bear interest at the current State of California Local Agency Investment Fund rate. This note is a subordinate debt to bond back by tax increment revenues.
3. On August 1, 2009, the City of Seaside issued the Tax and Revenue Anticipation Notes (TRANS) in the principal amount of \$2,500,000. The TRANS note was purchased by the Redevelopment Agency of the City of Seaside, where the Agency can earn interest at the rate paid by the State of California Local Agency Investment Fund. The note will be paid by taxes, income, revenue, cash receipts or other moneys that are received by the City

CITY OF SEASIDE
Notes to Basic Financial Statements (Continued)
June 30, 2009

during fiscal year 2009-2010. As security for the payment of the principal of and interest on the note, the City has pledged an amount equal to fifty percent of the principal amount of the note from the unrestricted revenues received by the City in the month ending December 31, 2009; and another fifty percent of the principal amount of the note in the month ending April 30, 2010; plus an amount sufficient to pay interest on the note and any deficiency in the amount required to be deposited during any prior month, from unrestricted revenues received by the City in the month ending June 30, 2010. The note will mature on June 30, 2010.

(e) Prior Period Adjustment

Beginning net assets was restated to include capital assets that were not previously recorded in the financial statements.

Beginning governmental activities net assets July 1, 2008	\$ 84,239,899
Adjusting of prior year capital assets \$640,640, net of accumulated depreciation of \$77,708	<u>562,932</u>
Beginning governmental activities net assets July 1, 2008, as restated	<u><u>\$ 84,802,831</u></u>

CITY OF SEASIDE
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Property taxes	\$ 4,710,000	\$ 4,510,000	\$ 1,811,614	\$ (2,698,386)
Taxes other than property	15,565,000	14,015,000	16,351,990	2,336,990
Licenses and permits	400,700	288,200	255,459	(32,741)
Fines and penalties	161,000	84,000	151,011	67,011
Use of money and property	336,000	486,000	185,276	(300,724)
Intergovernmental revenues	280,440	223,440	255,146	31,706
Charges for services	710,000	614,000	600,039	(13,961)
Other revenues	1,709,100	177,600	386,150	208,550
Total revenues	<u>23,872,240</u>	<u>20,398,240</u>	<u>19,996,685</u>	<u>(401,555)</u>
Expenditures:				
Current:				
General government:				
City council	143,734	46,180	25,875	20,305
City manager	563,400	514,311	497,946	16,365
City attorney	109,360	134,360	124,991	9,369
Finance division	627,920	568,051	556,777	11,274
Personnel	246,795	214,992	223,055	(8,063)
Public works:				
Governmental building division	383,480	372,835	320,413	52,422
Parks division	1,848,050	1,863,379	1,455,206	408,173
Engineering division	781,420	691,971	590,977	100,994
Public safety:				
Police	10,710,111	10,287,091	11,270,136	(983,045)
Fire	4,655,010	5,336,645	5,975,504	(638,859)
Community development:				
Administration division	259,220	147,471	16,734	130,737
Building division	282,250	216,350	210,997	5,353
Planning division	318,530	386,280	60,020	326,260
Recreation:				
Administration division	1,047,255	955,373	829,602	125,771
Building division	372,575	366,775	328,694	38,081
General recreation	361,125	304,485	285,268	19,217
Swim center	257,235	255,205	229,693	25,512
Senior / human services	87,000	86,000	57,729	28,271
Events	41,000	41,000	36,684	4,316
Total expenditures	<u>23,095,470</u>	<u>22,788,754</u>	<u>23,096,301</u>	<u>(307,547)</u>
Excess of revenues over (under) expenditures	<u>776,770</u>	<u>(2,390,514)</u>	<u>(3,099,616)</u>	<u>(709,102)</u>

(Continued)

**CITY OF SEASIDE
General Fund (Continued)
Budgetary Comparison Schedule
For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Capital leases	-	-	280,431	280,431
Transfers in	611,226	611,226	1,071,937	460,711
Transfers out	(783,796)	(783,796)	(542,792)	241,004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	(172,570)	(172,570)	809,576	982,146
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	604,200	(2,563,084)	(2,290,040)	273,044
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance, beginning of year	8,625,748	8,625,748	8,625,748	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance, end of year	\$ 9,229,948	\$ 6,062,664	\$ 6,335,708	\$ 273,044
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Accompanying Note to Required Supplementary Information.

CITY OF SEASIDE
Low - Moderate Income Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,433,985	\$ (166,015)
Use of money and property	325,000	325,000	203,014	(121,986)
Charges for services	-	-	45	45
Other revenues	200,000	200,000	121,517	(78,483)
	<u>2,125,000</u>	<u>2,125,000</u>	<u>1,758,561</u>	<u>(366,439)</u>
Expenditures:				
Current:				
Community development	<u>2,362,370</u>	<u>2,362,370</u>	<u>545,274</u>	<u>1,817,096</u>
Excess of revenues over (under) expenditures	<u>(237,370)</u>	<u>(237,370)</u>	<u>1,213,287</u>	<u>1,450,657</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net change in fund balance	(237,370)	(237,370)	1,183,287	1,420,657
Fund balance, beginning of year	<u>9,973,194</u>	<u>9,973,194</u>	<u>9,973,194</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,735,824</u>	<u>\$ 9,735,824</u>	<u>\$ 11,156,481</u>	<u>\$ 1,420,657</u>

See Accompanying Note to Required Supplementary Information.

CITY OF SEASIDE
Note to Required Supplementary Information
June 30, 2009

(1) BUDGETARY INFORMATION

Annual budgets are adopted for all governmental fund types on a basis consistent with accounting principles generally accepted in the United States of America. The City’s budget ordinance requires that in May of each year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them to the City Council for the next fiscal year. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June. After adoption of the final budget, transfers of appropriations of less than \$10,000 within a general fund department, or within other funds, can be made by the City Manager. Transfers of appropriations of more than \$10,000, budget modifications between funds; increases or decreases to a fund’s overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting (e.g., purchase orders) is employed by the City.

Expenditures exceeded budgetary appropriations for the year ended June 30, 2009 as follows:

<u>Fund/ Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Budget</u>
General Fund			
Personnel	\$ 214,992	\$ 223,055	\$ (8,063)
Police	10,287,091	11,270,136	(983,045)
Fire	5,336,645	5,975,504	(638,859)

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SUPPLEMENTARY INFORMATION

CITY OF SEASIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds			
	Public Safety Grants Fund	Community Services Fund	Supplemental Law Enforcement Grant Fund	Presidio O & M Activities (POMA) Fund
Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Restricted cash and investments	-	-	-	-
Accounts receivable	53,800	1,412	44,775	561,623
Interest receivable	46,117	-	-	-
Due from other funds	-	652,920	-	-
Loans receivable	-	-	-	-
Assessments receivable	-	-	-	-
Land held for resale	-	-	-	-
Total assets	\$ 99,917	\$ 654,332	\$ 44,775	\$ 561,623
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 14,180	\$ -	\$ 4,358	\$ 130,790
Accrued wages	12,097	-	4,148	18,279
Deposits	-	6,621	-	-
Due to other funds	85,809	-	120,773	1,139,129
Deferred revenue	-	-	-	-
Total liabilities	112,086	6,621	129,279	1,288,198
Fund balances (deficits):				
Reserved:				
Land held for resale	-	-	-	-
Unreserved:				
Undesignated	(12,169)	647,711	(84,504)	(726,575)
Total fund balances (deficits)	(12,169)	647,711	(84,504)	(726,575)
Total liabilities and fund balances	\$ 99,917	\$ 654,332	\$ 44,775	\$ 561,623

Special Revenue Funds

Proposition 172 Fund	Laguna Grande Project Fund	Community Development Block Grant Fund	Gas Tax Fund	Storm Water Fund	Impact Fees Fund
\$ 66,866	\$ -	\$ 369,400	\$ 417,536	\$ -	\$ -
-	-	-	-	-	-
13,151	3,406	40,088	127,809	-	3,601
-	-	-	-	-	-
-	-	-	-	-	981,015
-	-	567,075	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 80,017</u>	<u>\$ 3,406</u>	<u>\$ 976,563</u>	<u>\$ 545,345</u>	<u>\$ -</u>	<u>\$ 984,616</u>
\$ -	\$ 8,714	\$ 10,522	\$ 249,406	\$ 14,296	\$ -
686	3,924	5,088	18,187	1,718	-
-	-	500	-	-	-
-	363,650	-	-	628,646	300,000
-	-	567,075	-	-	-
<u>686</u>	<u>376,288</u>	<u>583,185</u>	<u>267,593</u>	<u>644,660</u>	<u>300,000</u>
-	-	-	-	-	-
<u>79,331</u>	<u>(372,882)</u>	<u>393,378</u>	<u>277,752</u>	<u>(644,660)</u>	<u>684,616</u>
<u>79,331</u>	<u>(372,882)</u>	<u>393,378</u>	<u>277,752</u>	<u>(644,660)</u>	<u>684,616</u>
<u>\$ 80,017</u>	<u>\$ 3,406</u>	<u>\$ 976,563</u>	<u>\$ 545,345</u>	<u>\$ -</u>	<u>\$ 984,616</u>

(Continued)

CITY OF SEASIDE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2009

	Special Revenue Funds			
	Housing Settlement Fund	State Transportation Bond Fund	Fort Ord RDA Set Aside Fund	PEG Access Fund
Assets:				
Cash and investments	\$ 1,119,844	\$ 106,803	\$ 6,959	\$ 41,268
Restricted cash and investments	-	-	-	-
Accounts receivable	-	2,278	-	10,190
Interest receivable	2,718	-	1,394	-
Due from other funds	-	-	-	-
Loans receivable	-	-	-	-
Assessments receivable	-	-	-	-
Land held for resale	-	-	3,400,000	-
Total assets	\$ 1,122,562	\$ 109,081	\$ 3,408,353	\$ 51,458
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ 25,629	\$ 9,676	\$ -
Accrued wages	-	123	796	-
Deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	25,752	10,472	-
Fund balances (deficits):				
Reserved:				
Land held for resale	-	-	3,400,000	-
Unreserved:				
Undesignated	1,122,562	83,329	(2,119)	51,458
Total fund balances (deficits)	1,122,562	83,329	3,397,881	51,458
Total liabilities and fund balances	\$ 1,122,562	\$ 109,081	\$ 3,408,353	\$ 51,458

Special Revenue Funds		Capital Projects Funds			
Del Monte Rehab Fund	Swim Center Fund	General Capital Projects Fund	Seaside Library Fund	Fremont Blvd. Fund	Storm Drain Fund
\$ -	\$ 700,077	\$ -	\$ 171,230	\$ 58,557	\$ 66,684
-	-	-	-	-	-
-	-	-	372	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	125,000	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 700,077</u>	<u>\$ 125,000</u>	<u>\$ 171,602</u>	<u>\$ 58,557</u>	<u>\$ 66,684</u>
\$ 1,043	\$ -	\$ 25,836	\$ -	\$ -	\$ -
483	-	108	-	-	19
-	-	-	-	-	-
-	-	62,326	-	-	46,000
-	-	125,000	-	-	-
<u>1,526</u>	<u>-</u>	<u>213,270</u>	<u>-</u>	<u>-</u>	<u>46,019</u>
-	-	-	-	-	-
<u>(1,526)</u>	<u>700,077</u>	<u>(88,270)</u>	<u>171,602</u>	<u>58,557</u>	<u>20,665</u>
<u>(1,526)</u>	<u>700,077</u>	<u>(88,270)</u>	<u>171,602</u>	<u>58,557</u>	<u>20,665</u>
<u>\$ -</u>	<u>\$ 700,077</u>	<u>\$ 125,000</u>	<u>\$ 171,602</u>	<u>\$ 58,557</u>	<u>\$ 66,684</u>

(Continued)

CITY OF SEASIDE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2009

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	
	<u>City Hall Generator Fund</u>	<u>Pension Obligation Bonds</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 105,530	\$ 10,752	\$ 3,241,506
Restricted cash and investments	-	2,496	2,496
Accounts receivable	-	-	862,505
Interest receivable	-	-	50,229
Due from other funds	-	-	1,633,935
Loans receivable	-	-	567,075
Assessments receivable	-	-	125,000
Land held for resale	-	-	3,400,000
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 105,530</u>	<u>\$ 13,248</u>	<u>\$ 9,882,746</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 494,450
Accrued wages	-	-	65,656
Deposits	-	-	7,121
Due to other funds	-	-	2,746,333
Deferred revenue	-	-	692,075
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,005,635</u>
Fund balances (deficits):			
Reserved:			
Land held for resale	-	-	3,400,000
Unreserved:			
Undesignated	<u>105,530</u>	<u>13,248</u>	<u>2,477,111</u>
	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	<u>105,530</u>	<u>13,248</u>	<u>5,877,111</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 105,530</u>	<u>\$ 13,248</u>	<u>\$ 9,882,746</u>

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CITY OF SEASIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds			
	Public Safety Grants Fund	Community Services Fund	Supplemental Law Enforcement Grant Fund	Presidio O & M Activities (POMA) Fund
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,145	6,753	172	741
Intergovernmental revenues	273,995	-	100,000	2,739,339
Other revenues	2,832	18,133	-	-
Total revenues	<u>277,972</u>	<u>24,886</u>	<u>100,172</u>	<u>2,740,080</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	226,450	-	103,232	-
Public works	-	-	-	-
Community development	-	5,407	-	2,343,821
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>226,450</u>	<u>5,407</u>	<u>103,232</u>	<u>2,343,821</u>
Excess of revenues over (under) expenditures	<u>51,522</u>	<u>19,479</u>	<u>(3,060)</u>	<u>396,259</u>
Other financing sources (uses):				
Debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	51,522	19,479	(3,060)	396,259
Fund balances (deficits), beginning of year	<u>(63,691)</u>	<u>628,232</u>	<u>(81,444)</u>	<u>(1,122,834)</u>
Fund balances (deficits), end of year	<u><u>\$ (12,169)</u></u>	<u><u>\$ 647,711</u></u>	<u><u>\$ (84,504)</u></u>	<u><u>\$ (726,575)</u></u>

Special Revenue Funds

Proposition 172 Fund	Laguna Grande Project Fund	Community Development Block Grant Fund	Gas Tax Fund	Storm Water Fund	Impact Fees Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
331	1	107,425	4,641	-	-
83,920	-	303,335	1,271,809	-	-
-	195,440	83,639	58,360	-	-
<u>84,251</u>	<u>195,441</u>	<u>494,399</u>	<u>1,334,810</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
109,501	201,021	27	-	-	-
-	-	-	2,041,014	339,089	-
-	-	224,890	-	-	-
-	-	-	-	-	-
-	-	150,000	-	-	-
-	-	130,665	-	-	-
<u>109,501</u>	<u>201,021</u>	<u>505,582</u>	<u>2,041,014</u>	<u>339,089</u>	<u>-</u>
<u>(25,250)</u>	<u>(5,580)</u>	<u>(11,183)</u>	<u>(706,204)</u>	<u>(339,089)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	1,892,094	-	-
-	-	-	(679,000)	-	(659,936)
-	-	-	1,213,094	-	(659,936)
<u>(25,250)</u>	<u>(5,580)</u>	<u>(11,183)</u>	<u>506,890</u>	<u>(339,089)</u>	<u>(659,936)</u>
<u>104,581</u>	<u>(367,302)</u>	<u>404,561</u>	<u>(229,138)</u>	<u>(305,571)</u>	<u>1,344,552</u>
<u>\$ 79,331</u>	<u>\$ (372,882)</u>	<u>\$ 393,378</u>	<u>\$ 277,752</u>	<u>\$ (644,660)</u>	<u>\$ 684,616</u>

(Continued)

CITY OF SEASIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds			
	Housing Settlement Fund	State Transportation Bond Fund	Fort Ord RDA Set Aside Fund	PEG Access Fund
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ 478,800	\$ 51,458
Use of money and property	20,455	9,405	54,449	-
Intergovernmental revenues	-	1,072,162	-	-
Other revenues	-	-	-	-
Total revenues	<u>20,455</u>	<u>1,081,567</u>	<u>533,249</u>	<u>51,458</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	61,336	-	-
Community development	-	-	435,882	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	554,147	-
Interest and fiscal charges	-	-	326,484	-
Total expenditures	<u>-</u>	<u>61,336</u>	<u>1,316,513</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>20,455</u>	<u>1,020,231</u>	<u>(783,264)</u>	<u>51,458</u>
Other financing sources (uses):				
Debt issuance	-	-	3,400,000	-
Transfers in	-	-	-	-
Transfers out	-	(936,902)	(30,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(936,902)</u>	<u>3,370,000</u>	<u>-</u>
Net change in fund balances	<u>20,455</u>	<u>83,329</u>	<u>2,586,736</u>	<u>51,458</u>
Fund balances (deficits), beginning of year	<u>1,102,107</u>	<u>-</u>	<u>811,145</u>	<u>-</u>
Fund balances (deficits), end of year	<u><u>\$ 1,122,562</u></u>	<u><u>\$ 83,329</u></u>	<u><u>\$ 3,397,881</u></u>	<u><u>\$ 51,458</u></u>

Special Revenue Funds		Capital Projects Funds			
Del Monte Rehab Fund	Swim Center Fund	General Capital Projects Fund	Seaside Library Fund	Fremont Blvd. Fund	Storm Drain Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,787	-	-
-	581	73,849	-	-	14,383
-	-	216,588	-	-	-
-	581	290,437	1,787	-	14,383
1,526	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	15,759	199,733	-	-	16,567
-	-	55,000	-	-	-
-	-	18,345	-	-	-
1,526	15,759	273,078	-	-	16,567
(1,526)	(15,178)	17,359	1,787	-	(2,184)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,526)	(15,178)	17,359	1,787	-	(2,184)
-	715,255	(105,629)	169,815	58,557	22,849
<u>\$ (1,526)</u>	<u>\$ 700,077</u>	<u>\$ (88,270)</u>	<u>\$ 171,602</u>	<u>\$ 58,557</u>	<u>\$ 20,665</u>

(Continued)

CITY OF SEASIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	
	<u>City Hall Generator Fund</u>	<u>Pension Obligation Bonds</u>	<u>Totals</u>
Revenues:			
Taxes and assessments	\$ -	\$ -	\$ 530,258
Use of money and property	-	2,524	209,829
Intergovernmental revenues	-	-	5,933,373
Other revenues	-	489,972	1,064,964
Total revenues	-	492,496	7,738,424
Expenditures:			
Current:			
General government	-	-	1,526
Public safety	-	-	640,231
Public works	-	-	2,441,439
Community development	-	-	3,010,000
Capital outlay	-	-	232,059
Debt service:			
Principal	-	120,000	879,147
Interest and fiscal charges	-	369,973	845,467
Total expenditures	-	489,973	8,049,869
Excess of revenues over (under) expenditures	-	2,523	(311,445)
Other financing sources (uses):			
Debt issuance	-	-	3,400,000
Transfers in	-	-	1,892,094
Transfers out	-	-	(2,305,838)
Total other financing sources (uses)	-	-	2,986,256
Net change in fund balances	-	2,523	2,674,811
Fund balances (deficits), beginning of year	105,530	10,725	3,202,300
Fund balances (deficits), end of year	\$ 105,530	\$ 13,248	\$ 5,877,111

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CITY OF SEASIDE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	Self- Insurance Fund	Vehicle Maintenance Fund	Management Information Systems Fund	Totals
Assets:				
Current assets:				
Cash and investments	\$ 1,544,355	\$ 212,565	\$ 170,122	\$ 1,927,042
Restricted cash and investments	37,376	-	-	37,376
Accounts receivable	31,693	412	26,538	58,643
Total current assets	<u>1,613,424</u>	<u>212,977</u>	<u>196,660</u>	<u>2,023,061</u>
Capital assets:				
Structures and improvements	-	135,283	-	135,283
Equipment and vehicles	-	135,601	430,807	566,408
Total capital assets	-	270,884	430,807	701,691
Less accumulated depreciation	-	(270,046)	(288,575)	(558,621)
Total capital assets, net	<u>-</u>	<u>838</u>	<u>142,232</u>	<u>143,070</u>
Total assets	<u>1,613,424</u>	<u>213,815</u>	<u>338,892</u>	<u>2,166,131</u>
Liabilities:				
Current liabilities:				
Accounts payable	2,628	30,479	12,983	46,090
Accrued wages	529	11,767	8,076	20,372
Claims payable	176,359	-	-	176,359
Total current liabilities	<u>179,516</u>	<u>42,246</u>	<u>21,059</u>	<u>242,821</u>
Long-term liabilities:				
Capital leases	-	-	130,367	130,367
Compensated absences	1,559	27,983	9,189	38,731
Claims payable	1,587,233	-	-	1,587,233
Total long-term liabilities	<u>1,588,792</u>	<u>27,983</u>	<u>139,556</u>	<u>1,756,331</u>
Total liabilities	<u>1,768,308</u>	<u>70,229</u>	<u>160,615</u>	<u>1,999,152</u>
Net assets (deficit):				
Invested in capital assets	-	838	11,865	12,703
Unrestricted	(154,884)	142,748	166,412	154,276
Total net assets (deficit)	<u>\$ (154,884)</u>	<u>\$ 143,586</u>	<u>\$ 178,277</u>	<u>\$ 166,979</u>

CITY OF SEASIDE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2009

	Self- Insurance Fund	Vehicle Maintenance Fund	Management Information Systems Fund	Totals
Operating revenues:				
Charges for services	\$ 2,517,292	\$ 932,930	\$ 655,100	\$ 4,105,322
Other revenues	14,839	12	50	14,901
Total operating revenues	2,532,131	932,942	655,150	4,120,223
Operating expenses:				
Salaries and wages	-	192,157	152,424	344,581
Payroll expenses	21,540	127,352	70,510	219,402
Contracted services	13	2,096	5,000	7,109
Technical services	1,778,241	7,695	-	1,785,936
Supplies	-	4,197	29,598	33,795
Utilities	-	4,368	94,230	98,598
General expenses	-	520,113	99,495	619,608
Depreciation	-	1,052	92,641	93,693
Total operating expenses	1,799,794	859,030	543,898	3,202,722
Operating income	732,337	73,912	111,252	917,501
Nonoperating revenues:				
Investment earnings	8,404	1,644	4,176	14,224
Income before transfers	740,741	75,556	115,428	931,725
Transfers in	-	-	14,599	14,599
Change in net assets	740,741	75,556	130,027	946,324
Net assets (deficit), beginning of year	(895,625)	68,030	48,250	(779,345)
Net assets (deficit), end of year	\$ (154,884)	\$ 143,586	\$ 178,277	\$ 166,979

CITY OF SEASIDE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009

	<u>Self- Insurance Fund</u>	<u>Vehicle Maintenance Fund</u>	<u>Management Information Systems Fund</u>	<u>Totals</u>
Cash flows from operating activities:				
Receipts from customers	\$ 2,515,208	\$ 935,213	\$ 652,252	\$ 4,102,673
Payments to suppliers and users	(1,484,899)	(552,738)	(230,745)	(2,268,382)
Payments to employees	(20,226)	(319,729)	(233,418)	(573,373)
Net cash provided by operating activities	<u>1,010,083</u>	<u>62,746</u>	<u>188,089</u>	<u>1,260,918</u>
Cash flows from non-capital financing activities:				
Cash paid from other funds	-	-	14,599	14,599
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>14,599</u>	<u>14,599</u>
Cash flows from capital and related financing activities:				
Principal paid on capital debt	-	-	(61,435)	(61,435)
Purchase of capital assets	-	-	(71,910)	(71,910)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(133,345)</u>	<u>(133,345)</u>
Cash flows from investing activities:				
Interest on investments	8,404	1,644	4,176	14,224
Net increase in cash and cash equivalents	1,018,487	64,390	73,519	1,156,396
Cash and cash equivalents, beginning of year	563,244	148,175	96,603	808,022
Cash and cash equivalents, end of year	<u>\$ 1,581,731</u>	<u>\$ 212,565</u>	<u>\$ 170,122</u>	<u>\$ 1,964,418</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 732,337	\$ 73,912	\$ 111,252	\$ 917,501
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	1,052	92,641	93,693
(Increase) decrease in operating assets:				
Accounts receivable	(22,178)	2,271	(13,693)	(33,600)
Prepaid expenses	44,508	3,237	1,707	49,452
Increase (decrease) in operating liabilities:				
Accounts payable	(33,202)	(17,506)	(4,129)	(54,837)
Accrued wages	(245)	41	(1,203)	(1,407)
Compensated absences	1,559	(261)	1,514	2,812
Claims payable	287,304	-	-	287,304
Net cash provided by operating activities	<u>\$ 1,010,083</u>	<u>\$ 62,746</u>	<u>\$ 188,089</u>	<u>\$ 1,260,918</u>

CITY OF SEASIDE
Combining Statement of Agency Fund
Assets and Liabilities
June 30, 2009

	Seaside County Sanitation District	Developer Deposits	Watermaster Fund	Total
Assets:				
Cash and investments	\$ 867,939	\$ 57,902	\$ 1,353,657	\$ 2,279,498
Accounts receivable	355,098	51,629	2,969	409,696
	<u>\$ 1,223,037</u>	<u>\$ 109,531</u>	<u>\$ 1,356,626</u>	<u>\$ 2,689,194</u>
Liabilities:				
Accounts payable	\$ 55,871	\$ 30,587	\$ 170,878	\$ 257,336
Other liabilities	1,167,166	78,944	1,185,748	2,431,858
	<u>\$ 1,223,037</u>	<u>\$ 109,531</u>	<u>\$ 1,356,626</u>	<u>\$ 2,689,194</u>