

**REDEVELOPMENT AGENCY OF
THE CITY OF SEASIDE**

Annual Financial Report

June 30, 2009

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Board of Directors of the
Redevelopment Agency of the City of Seaside

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Redevelopment Agency of the City of Seaside (Agency), a component unit of the City of Seaside, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency 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 Agency'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 and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position 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 December 29, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Governmental Accounting Standards Board. 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.

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

December 29, 2009

**REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

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

THE PURPOSE OF THE AGENCY

The Agency is a component unit of the City of Seaside (City); the City, which appoints the Agency's Board of Directors, controls it. City employees perform all the duties and functions required of the Agency.

The Agency's purpose under California law is to eliminate urban blight in the City of Seaside; it is given certain powers under the law to assist it in that endeavor. The Agency may incur indebtedness to finance redevelopment of property, and it may condemn property under certain circumstances and only to the extent the City may condemn property as prescribed by the law. The Agency may not assess or receive property taxes, but it may receive property tax increments. Property tax increments are property taxes on property located within the boundaries of the Agency in excess of the Base Year property taxes. The Base Year is defined as the year before the property became subject to Redevelopment. Twenty percent of the property tax increments received must be used to increase the supply of low and moderate-income housing. The Agency has agreements with the pre-existing governmental entities within its redevelopment area under which it passes through a portion of the property tax increments it receives.

The Agency is composed of two project areas. The Merged Project Area is composed of seven original project areas that were merged in 1996. The Merged Project Area includes most of the original area of the City of Seaside. In 2003, the Fort Ord Project Area was formed. The Fort Ord Project Area consists of all portions of the former military base that are in the jurisdiction of the City of Seaside.

FISCAL 2008-2009 FINANCIAL HIGHLIGHTS

Financial highlights of the fiscal year include the following:

Agency-wide:

- Total Agency revenues were \$11.3 million.
- Total Agency expenses were \$12.9 million.
- Total Agency fund net assets decreased by \$1.6 million to \$7.4 million due to redevelopment activity, largely the completion of the renovation of the Auto Center.
- The Agency's long-term debt decreased by \$.6 million to \$31.2 million due to payments made on outstanding bonds.

Fund Basis:

MERGED PROJECT AREA

The Redevelopment Agency Housing Special Revenue Fund:

- The Redevelopment Agency Housing Special Revenue Fund revenues were \$1.8 million, down approximately \$300,000 from the prior fiscal year due to reduced assessed valuations of properties and therefore reduced property tax increment collections.

**REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

- The Redevelopment Agency Housing Special Revenue Fund expenditures were \$575 thousand, an increase of \$388 thousand from the prior fiscal year due to increase housing activity, first time home buyer assistance and rehabilitation loans, in the current fiscal year helped by the addition of Redevelopment Agency staff in 2008.
- The Redevelopment Agency Housing Special Revenue Fund fund balance increased by \$1.2 million to \$11.2 million because revenues exceeded expenditures in the 2008-2009 fiscal year.

The Capital Projects Fund:

- The Capital Projects Fund revenues and transfers in were \$3.1 million. This is a \$3 million decrease from the prior year. In 2007-2008 \$6 million was transferred to the Capital Projects Fund from the Debt Service Fund to fund capital projects; in 2008-2009 \$3 million was transferred.
- The Capital Projects Fund expenditures were \$6.1 million, an increase of \$1.4 million from the prior fiscal year. In 2008-2009, the Redevelopment Agency purchased property worth \$1.3 million for future redevelopment projects and \$500,000 was spent on the West Broadway project area. In addition, due to the current economic downturn, the Redevelopment Agency paid \$2.1 million to the City's General Fund to pay back the loan from the General Fund.
- The Capital Projects Fund ending fund balance decreased by \$2.9 million to \$2.4 million due to the pay back of the loan from the City's General Fund.

The 2003 Bond Capital Projects Fund:

- The 2003 Bond Capital Projects Fund revenues were \$661 thousand, largely from a \$500,000 grant for road improvements.
- The 2003 Bond Capital Projects Fund expenditures were \$4.5 million, a decrease of \$3.5 million from the prior fiscal year. The decrease in expenditures reflects the completion of the Auto Center Revitalization Project of the Redevelopment Agency.
- The 2003 Bond Capital Projects Fund fund balance decreased by \$3.9 million to \$2.6 million.

FORT ORD PROJECT AREA

The Fort Ord Set Aside Special Revenue Fund:

- The Fort Ord Set Aside Special Revenue Fund revenues were \$533 thousand.
- The Fort Ord Set Aside Special Revenue Fund expenditures were \$1.3 million, \$466 thousand for redevelopment projects and \$880,000 for payments for the Main Gate property swap with the State of California Parks Department.
- The Fort Ord Set Aside Special Revenue Fund ending fund balance was \$3.4 million.

The Fort Ord Capital Projects Fund:

- The Fort Ord Capital Projects Fund revenues were \$31 thousand because no tax increment funds were transferred in from the debt service fund where tax increment revenues are deposited.
- The Fort Ord Capital Projects Fund expenditures were \$1.7 million, due to redevelopment expenditures in the Former Ft. Ord by the Redevelopment Agency for the Main Gate Project, the Golf Hotel Project and other expenditures.
- The Fort Ord Capital Projects Fund fund balance was \$-560 thousand, a decrease of \$1.7 million from the prior year.

**REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

COMBINED PROJECT AREAS

The Redevelopment Agency Debt Service Fund:

- The Redevelopment Agency Debt Service Fund revenues were \$8 million, a decrease of \$3 million from the prior fiscal year. This primarily reflects a decrease in operating grants and contributions. In addition, in the prior year there was \$2.4 million of intergovernmental revenues due to the Golf Resort transactions.
- The Redevelopment Agency Debt Service Fund expenditures and transfers out were \$6.5 million, a decrease of \$5.5 million from the prior fiscal year. The decrease is due to decreased transfers out to the Capital Projects Fund of \$3 million and a decrease in principal payments from the prior year. In 2007-2008, a \$2.4 million payment of principal was made on the Agency's loan with Rabobank.
- The Redevelopment Agency Debt Service Fund fund balance increased by \$1.5 million to \$12.8 million. These funds are available for redevelopment capital projects and debt service payments.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the Agency's financial activities and financial position.

The Government-wide Financial Statements

The Government-wide Financial Statements provide a longer-term view of the Agency's activities as a whole and are comprised of the Statement of Net Assets and the Statement of Activities. Government-wide financial statements are prepared on the accrual basis, similar to that used for corporations, which means they measure the flow of all economic resources of the Agency as a whole.

The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities. The Statement of Activities provides information about all the Agency's revenues and all its expenses, with the emphasis on measuring net revenues and expenses of the Agency's programs. The Statement of Activities explains in detail the change in Net Assets for the fiscal year.

All of the Agency's activities are grouped into Governmental Activities. The Agency's basic services are considered to be governmental activities, including community development and engineering, and intergovernmental school district pass-through payments. Agency revenues such as property tax increments support these services.

Fund Financial Statements

The Fund Financial Statements report the Agency's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the Agency's seven funds. The Fund Financial Statements report current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts. All the Agency's funds are governmental funds; financial statements for these funds are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-term assets, along with long-term liabilities, are not presented in the Governmental Funds Financial Statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

The Fund Financial Statements provide detailed information about each of the Agency's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Nonmajor Funds summarized and presented only in a single column. Major Funds present the major activities of the Agency for the fiscal year, and may change from year to year as a result of changes in the pattern of Agency's activities. The Redevelopment Agency of the City of Seaside has reported all funds as Major Funds; their purpose is explained in Note 1.C to the financial statements.

Comparisons of Budget and Actual financial information are presented for the Redevelopment Agency Housing Special Revenue Fund and the Ft. Ord Redevelopment Agency Housing Special Revenue Fund.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the Agency's governmental activities in the Government-wide Statement of Activities and Statement of Activities.

The Agency's combined net assets are \$7.4 million as outlined in Table 1. This is a decrease of \$1.6 million from the prior year restated balance. The Agency's net assets from governmental activities decreased 18% to net assets of \$7.4 million in 2008-2009. This is largely due to the expenditures of bond funds on the Auto Center Renovation project.

**Net Assets
Table 1**

	2009	2008 (1)
Current and other assets	\$ 30,233,200	\$ 38,826,871
Land held for resale	4,613,624	-
Capital assets	6,342,668	5,256,773
Total assets	<u>41,189,492</u>	<u>44,083,644</u>
Long-term liabilities	31,174,840	31,740,336
Other liabilities	2,638,381	3,318,351
Total liabilities	<u>33,813,221</u>	<u>35,058,687</u>
Net assets	<u>\$ 7,376,271</u>	<u>\$ 9,024,957</u>
Invested in capital assets	\$ 6,342,668	\$ 5,256,773
Restricted	11,555,415	22,102,770
Unrestricted	(10,521,812)	(18,334,586)
Total net assets	<u>\$ 7,376,271</u>	<u>\$ 9,024,957</u>

(1) These amounts have been restated, please refer to Note (4) (c) of the financial statements for additional information.

The statement of activities shows how the government's net assets changed during fiscal year 2008-09.

**REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

During the current fiscal year, the Agency's net assets decreased by \$1.6 million.

**Changes in Net Assets
Table 2**

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 45	\$ 25,045
Operating grants and contributions	121,337	2,466,676
General revenues:		
Tax increment	9,563,921	10,238,239
Use of money and property	894,085	1,763,360
Other revenues	693,164	190,163
Total revenues	<u>11,272,552</u>	<u>14,683,483</u>
Expenses:		
Governmental activities	10,884,357	15,733,271
Interest on long-term debts	2,004,112	1,759,249
Total expenses	<u>12,888,469</u>	<u>17,492,520</u>
Change in net assets	(1,615,917)	(2,809,037)
Net assets, July 1, as restated	<u>8,992,188</u>	<u>11,833,994</u>
Net assets, June 30	<u>\$ 7,376,271</u>	<u>\$ 9,024,957</u>

Fiscal Year 2008-2009 Government Activities

The Agency's fiscal year 2008-2009 revenue came primarily from property tax increments, which amounted to \$9.6 million, a decrease of \$674 thousand from the prior fiscal year. The decrease reflects the decline in assessed valuations. Investment earnings and rents contributed an additional \$894 thousand in fiscal year 2008-2009 a decrease of \$869 thousand over the prior fiscal year. The decrease is due primarily to a decrease in the amount of funds invested as the 2003 Bond Funds have been used to improve the Auto Center and are no longer invested in interest bearing accounts.

Agency expenses were \$12.9 million in fiscal year 2008-2009. These expenditures were principally for community development projects and land purchases. The expenses were largely for the Auto Center Revitalization project, the Golf Resort Project, the Del Monte Hotel Project, the West Broadway Project and the Main Gate Project.

Fiscal Year 2008-2009 Fund Activities

At June 30, 2009, the Agency's governmental funds reported combined fund balances of \$31.8 million, which is a decrease of approximately \$3 million from the prior year.

**REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

The Agency has loaned low and moderate-income individuals a total of \$1.7 million to assist with first-time homebuyer's down payments and for housing rehabilitation projects. Interest on these loans is at or below market rates and principal payments are generally deferred. These loans are accounted for in the Redevelopment Agency Housing Special Revenue Fund and explained in detail in Note (3) (c) to the financial statements.

CAPITAL ASSETS

Under GASB 34, the Agency is required to record all its capital assets, including infrastructure, at their historical cost, and to depreciate these assets over their estimated useful lives.

Capital assets net of accumulated depreciation are \$6.3 million at June 30, 2009, an increase of \$1 million from the prior year due to the acquisition of land. Further details on the Agency's capital assets may be found in Notes (3) (e) and (4) (c) to the financial statements.

DEBT ADMINISTRATION

Each of the Agency's debt issues is discussed in detail in Note (3) (f) to the financial statements. On December 12, 2005, the Redevelopment Agency borrowed \$5,000,000 from Community Bank, subsequently Rabobank. The proceeds of this note were used to purchase the golf course lessee's leasehold interest. \$2,362,500 of this note was repaid during 2007-2008. On September 24, 2003, the Agency issued \$22,125,000 of the Merged Project Area, Tax Allocation Refunding Bonds, Series 2003. The bond proceeds are to be used for the redevelopment of the Merged Project Area, specifically the Auto Center Revitalization. In March 2001, the Agency issued \$3.2 million of the Merged Project Area, Tax Allocation Refunding Bonds, Series 2001.

On June 18, 2009, the Redevelopment Agency approved the issuance of Seaside-Fort Ord Redevelopment Project Area Subordinate Tax Allocation Note, Series 2009, where the Merged Project Area can loan funds to Fort Ord Project Area in an amount not to exceed \$3,000,000. The City of Seaside has approved Tax and Revenue Anticipation Notes (TRANS) for fiscal year 2009-2010, where the City can issue short-term notes in anticipation of collecting revenues and taxes. The Redevelopment Agency can invest in the TRANS with a principal amount not to exceed \$2,500,000. These loans are explained in detail in Note (4) (b) (2) and (4) (b) (3) to the financial statements.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

These Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this Report should be directed to the Administrative Services Department, at Seaside City Hall, 440 Harcourt Avenue, Seaside, CA, 93955.

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REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets:	
Cash and investments	\$ 24,991,319
Restricted cash and investments	2,316,299
Accounts receivable	894
Interest receivable	90,298
Loans receivable	1,649,942
Due from the City of Seaside	296,000
Deposits	250,000
Deferred charges - net of amortization	638,448
Land held for resale	4,613,624
Capital assets - non-depreciable	6,103,921
Capital assets - net of accumulated depreciation	238,747
Total assets	41,189,492
Liabilities:	
Accounts payable	758,388
Accrued payroll	9,101
Interest payable	1,870,177
Deposits payable	715
Long-term debt:	
Due in one year	1,693,023
Due in more than one year	29,481,817
Total liabilities	33,813,221
Net Assets:	
Invested in capital assets	6,342,668
Restricted for:	
Debt service	1,612,558
Low/moderate income housing	11,156,481
Unrestricted	(11,735,436)
Total net assets	\$ 7,376,271

See Accompanying Notes to Financial Statements.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Statement of Activities
For the Fiscal Year Ended June 30, 2009

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
Governmental activities:				
Community development	\$ 10,033,968	\$ 45	\$ 121,337	\$ (9,912,586)
Pass thru payments	850,389	-	-	(850,389)
Interest on long-term debt	2,004,112	-	-	(2,004,112)
Total governmental activities	<u>\$ 12,888,469</u>	<u>\$ 45</u>	<u>\$ 121,337</u>	<u>(12,767,087)</u>
General revenues:				
Property tax increment				9,563,921
Use of money and property				894,085
Other				<u>693,164</u>
Total general revenues				<u>11,151,170</u>
Change in net assets				(1,615,917)
Net assets - beginning of year, as restated				<u>8,992,188</u>
Net assets - end of year				<u>\$ 7,376,271</u>

See Accompanying Notes to Financial Statements.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

Balance Sheet

Governmental Funds

June 30, 2009

	Redevelopment Agency Housing Special Revenue Fund	Fort Ord Set Aside Special Revenue Fund	Redevelopment Agency Debt Service Fund
Assets:			
Cash and investments	\$ 9,938,653	\$ 6,959	\$ 11,593,601
Restricted cash and investments	-	-	1,612,558
Accounts receivable	-	-	-
Interest receivable	26,050	1,394	48,487
Loans receivable	1,649,942	-	-
Due from the City of Seaside	-	-	-
Due from other fund	-	-	-
Deposits	-	-	-
Land held for resale	1,213,624	3,400,000	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 12,828,269	\$ 3,408,353	\$ 13,254,646
	<hr/>	<hr/>	<hr/>
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ 20,784	\$ 9,676	\$ 457,370
Accrued payroll	812	796	-
Deferred revenue	1,649,942	-	-
Deposits payable	250	-	-
Due to other fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	1,671,788	10,472	457,370
	<hr/>	<hr/>	<hr/>
Fund balance:			
Reserved:			
Land held for resale	1,213,624	3,400,000	-
Debt service	-	-	1,612,558
Low and moderate income housing	9,942,857	-	-
Unreserved	-	(2,119)	11,184,718
	<hr/>	<hr/>	<hr/>
Total fund balances	11,156,481	3,397,881	12,797,276
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 12,828,269	\$ 3,408,353	\$ 13,254,646
	<hr/>	<hr/>	<hr/>

See Accompanying Notes to Financial Statements.

2003 Bond Capital Projects Fund	Redevelopment Agency Capital Projects Fund	Fort Ord Capital Projects Fund	Totals
\$ 1,986,940	\$ 1,465,166	\$ -	\$ 24,991,319
703,741	-	-	2,316,299
-	894	-	894
7,828	6,524	15	90,298
-	-	-	1,649,942
-	296,000	-	296,000
-	621,323	-	621,323
-	125,000	125,000	250,000
-	-	-	4,613,624
\$ 2,698,509	\$ 2,514,907	\$ 125,015	\$ 34,829,699
\$ 127,505	\$ 81,072	\$ 61,981	\$ 758,388
341	4,454	2,698	9,101
-	-	-	1,649,942
-	465	-	715
-	-	621,323	621,323
127,846	85,991	686,002	3,039,469
-	-	-	4,613,624
-	-	-	1,612,558
-	-	-	9,942,857
2,570,663	2,428,916	(560,987)	15,621,191
2,570,663	2,428,916	(560,987)	31,790,230
\$ 2,698,509	\$ 2,514,907	\$ 125,015	\$ 34,829,699

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

Total fund balances - governmental funds \$ 31,790,230

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 current resources and, therefore, are not reported in the Governmental Funds Balance Sheet. 6,342,668

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

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. (1,870,177)

The assets and liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

Compensated absences	\$	(16,039)	
Advance payable		(4,980,407)	
Bonds payable		(20,055,000)	
Unamortized premium		(640,041)	
Notes payable		<u>(5,483,353)</u>	
			(31,174,840)

In governmental funds, other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue. 1,649,942

Net assets of governmental activities \$ 7,376,271

See Accompanying Notes to Financial Statements.

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

	Redevelopment Agency Housing Special Revenue Fund	Fort Ord Set Aside Special Revenue Fund	Redevelopment Agency Debt Service Fund
Revenues:			
Property tax increment	\$ 1,433,985	\$ 478,800	\$ 7,651,136
Use of money and property	203,014	54,449	322,872
Charges for services	45	-	-
Other	121,517	-	80
	<hr/>	<hr/>	<hr/>
Total revenues	1,758,561	533,249	7,974,088
Expenditures:			
Current:			
Community development	575,274	465,882	42,634
Pass thru payments	-	-	850,389
Capital outlay	-	-	-
Debt service:			
Principal	-	554,147	1,350,000
Interest and fiscal charges	-	326,484	1,254,353
	<hr/>	<hr/>	<hr/>
Total expenditures	575,274	1,346,513	3,497,376
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	1,183,287	(813,264)	4,476,712
Other financing sources (uses):			
Proceeds of advances	-	-	-
Debt issuance	-	3,400,000	-
Transfers in	-	-	-
Transfers out	-	-	(3,000,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	3,400,000	(3,000,000)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	1,183,287	2,586,736	1,476,712
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	9,973,194	811,145	11,320,564
	<hr/>	<hr/>	<hr/>
Fund balances (deficits) - end of Year	\$ 11,156,481	\$ 3,397,881	\$ 12,797,276
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements.

2003 Bond Capital Projects Fund	Redevelopment Agency Capital Projects Fund	Fort Ord Capital Projects Fund	Totals
\$ -	\$ -	\$ -	\$ 9,563,921
160,795	121,854	31,101	894,085
-	-	-	45
500,000	6,272	-	627,869
<u>660,795</u>	<u>128,126</u>	<u>31,101</u>	<u>11,085,920</u>
417,507	3,859,200	1,679,452	7,039,949
-	-	-	850,389
4,109,497	-	-	4,109,497
-	2,125,000	-	4,029,147
-	87,052	-	1,667,889
<u>4,527,004</u>	<u>6,071,252</u>	<u>1,679,452</u>	<u>17,696,871</u>
<u>(3,866,209)</u>	<u>(5,943,126)</u>	<u>(1,648,351)</u>	<u>(6,610,951)</u>
-	87,052	-	87,052
-	-	-	3,400,000
-	3,000,000	-	3,000,000
-	-	-	(3,000,000)
<u>-</u>	<u>3,087,052</u>	<u>-</u>	<u>3,487,052</u>
(3,866,209)	(2,856,074)	(1,648,351)	(3,123,899)
<u>6,436,872</u>	<u>5,284,990</u>	<u>1,087,364</u>	<u>34,914,129</u>
<u>\$ 2,570,663</u>	<u>\$ 2,428,916</u>	<u>\$ (560,987)</u>	<u>\$ 31,790,230</u>

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

Net change in fund balances \$ (3,123,899)

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

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. This is the amount of capital assets additions and depreciation recorded in current year.

Capital assets additions	\$ 1,128,027	
Depreciation expense	<u>(9,363)</u>	1,118,664

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of 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. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Notes payable issued	\$ (3,400,000)	
Repayment of debt principal	3,942,095	
Amortization of premium on long-term debt	26,668	
Amortization of deferred charges	(32,980)	
Additions to compensated absences	<u>(3,186)</u>	532,597

The amounts below included in the Statement of Activities either do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. The amounts shown below represent the net change.

Interest payable	\$ (329,911)	
Deferred revenue	<u>186,632</u>	<u>(143,279)</u>

Change in net assets of governmental activities \$ (1,615,917)

See Accompanying Notes to Financial Statements.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the Redevelopment Agency of the City of Seaside:

(a) Description of Reporting Entity

The Redevelopment Agency of the City of Seaside (Agency) was created in March 1960, under the provisions of the Community Redevelopment Law (California Health and Safety Code). Eight redevelopment plans have been established by the Agency.

Adopted in prior years and reactivated in the 1994-95 fiscal year are the Noche Buena Project Plan, the Hannon Project Plan, and the Del Monte Heights Project Plan.

Adopted in 1967, the Gateway Project Urban Renewal Plan was established to provide development for new automotive and related retail commercial uses in order to support, assist, and strengthen the economic stability of the central business district of the City of Seaside (City). The original project has been completed, however a revitalization of the auto center is underway.

Adopted in 1970 and amended by ordinances through 1987, the Laguna Grande Project Plan was formed. The stated purposes of the plan are to eliminate blight and deterioration, encourage redevelopment of commercial structures, promote the development of one or more first-quality hotels, and restore the Laguna Grande Lake.

Adopted in 1989, the Gateway Auto Center Expansion Redevelopment Plan was established to revitalize a deteriorating older commercial area for modern auto related businesses and other compatible uses.

Adopted in 1991, the City Center Revitalization Area Redevelopment Project was established to revitalize an older area in the heart of the City, including both commercial and residential property, to create jobs, and revenue for the City. The Agency is still working on the commercial development process.

In 1996, the Agency merged the seven redevelopment plans into one. The new merged project area continues the redevelopment of the seven individual plans.

During fiscal year 2002, the Agency adopted the Fort Ord Reuse Project Area. The stated purposes of the plan are to eliminate blight and deterioration, improve the infrastructure, assist in the elimination of soil and ground water contamination, and revitalize the area due to the closure of the military base.

The Agency is authorized to finance the plans through various sources, including assistance from the Federal Government, the State, the City of Seaside, issuance of Agency bonds, or any other available source permitted by law.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

The Agency and the City of Seaside (City) are closely related and the financial statements of the Agency have been blended into the City's financial statements for the City's financial reporting purposes. The City Council serves as the governing board for the Agency. The Agency does not have any employees separate from those of the City, nor does it have separate facilities. The Agency is an integral part of the reporting entity of the City.

The financial statements of the Redevelopment Agency of the City of Seaside have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

(b) Government-wide and Fund Financial Statements

Government-wide Statements

The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *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.

Governmental funds 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 Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. 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*.

Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply restricted grant resources to such programs, followed by general revenues.

GASB Statement No. 34 defines major funds and requires that the Agency's major governmental funds are identified and presented separately in the fund financial statements.

The Agency reported the following major governmental funds (all governmental funds are considered as "major"):

Redevelopment Agency Housing Special Revenue Fund – This fund accounts for the portion of Agency and County tax increment funds received for low-and-moderate income housing.

Fort Ord Set Aside Special Revenue Fund – This fund accounts for the portion of Agency and County tax increment funds received for low-and-moderate income housing on the former Fort Ord property.

Redevelopment Agency Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issues.

2003 Bond Capital Projects Fund – This fund accounts for capital projects associated with the 2003 Tax Allocation Bond issuance.

Redevelopment Agency Capital Projects Fund – This fund accounts for capital improvements on the merged project area.

Fort Ord Capital Projects Fund – This fund accounts for capital improvements on the Fort Ord redevelopment project area.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

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

1. *Cash and Investments*

The Agency's cash and investments are demand deposits pooled with the City of Seaside, State of California Local Agency Investment Fund, and investments held by fiscal agent.

2. *Compensated Absences*

Unused vacation leave accumulated prior to October 1, 1978 may be carried over and utilized or paid at time of termination from the Agency'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 one year's earned vacation.

Unused sick leave accumulated before December 1, 1978 may be carried over and utilized or paid at time of termination. For sick leave earned after December 1, 1978, a percentage of the unused portion is paid once a year if elected by an employee. The remaining amount will be converted to service credit for retirement purposes.

In the fund statements the vested vacation and sick leave is recognized in the current year to the extent it is paid during the year. In the government-wide financial statements, accrued vacation and sick leave is included as a liability in the long-term liabilities as those amounts are payable from future resources.

3. *Land Held for Resale*

Land held for Resale is carried at the lower cost or estimated net realizable value, as determined upon execution of a disposition and development agreement.

4. *Capital Assets*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed capital assets are valued at their estimated fair value on the date contributed. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

Major outlays for capital assets and improvements are capitalized as projects are constructed, except for those projects being constructed for the City of Seaside.

Buildings and improvements are depreciated using the straight line method over estimated useful lives of 30 years.

5. *Net Assets*

Government-wide Financial Statements

Invested in Capital Assets – This amount consists capital assets net of accumulated depreciation.

Restricted Net Assets – External creditors, grantors, contributors, or laws or regulations of other governments restrict this amount.

Unrestricted Net Assets – That portion of net assets that is neither restricted nor invested in capital assets.

6. *Fund Financial Statements*

Fund Equity – Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

7. *Revenue*

The Agency’s primary source of revenue is property taxes, referred to in the accompanying financial statements as “property tax increment.” Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
- b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the “frozen” assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the Agency. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

The Agency is authorized to finance the Redevelopment Plan from other sources, including assistance from the City of Seaside, the State and Federal government, interest income, and the issuance of Agency debt.

8. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Monterey levies, bills, and collects property taxes for the Agency; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured property taxes become an enforceable lien on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

9. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Stewardship, Compliance, and Accountability

(a) Budgetary Data

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Formal budgetary integration is employed as a management control device.

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

<u>Fund</u>	<u>Fund Budget</u>	<u>Actual Amount</u>	<u>Amount in Excess of Budget</u>
Fort Ord Set Aside Special Revenue	\$ 1,027,435	\$ 1,346,513	\$ (319,078)

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

(b) Deficit Fund Balance

The Fort Ord Capital Projects Fund had a deficit fund balance of \$560,987. This deficit is expected to be eliminated with future transfers in from other funds.

(3) Detailed Notes on All Funds

(a) Cash and Investments

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

Cash and investments	\$	24,991,319
Restricted cash and investments		2,316,299
Total cash, restricted cash and investments	\$	27,307,618

Cash and investments as of June 30, 2009 consist of the following:

Cash pooled with City of Seaside	\$	879,294
Deposits with financial institutions		703,741
Investments		25,724,583
Total cash, restricted cash and investments	\$	27,307,618

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

The Agency's investment policy authorizes investment in all Investments authorized under provisions of California Government Code Section 53601.

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 Agency's investment policy. The Agency is authorized to invest in money market funds and State of California Local Agency Investment Fund.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

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. As of the year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 7.8 months.

<u>Authorized Investment Type</u>	<u>Total</u>	<u>Weighted Average Maturity (Months)</u> 12 months or less
Local Agency Investment Fund Held by fiscal agent:	\$ 24,112,025	\$ 24,112,025
Money Market Funds	<u>1,612,558</u>	<u>1,612,558</u>
	<u>\$ 25,724,583</u>	<u>\$ 25,724,583</u>

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 does not have a rating provided by a nationally recognized statistical rating organization.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund Held by fiscal agent:	\$ 24,112,025	N/A	\$ -	\$ 24,112,025
Money Market Funds	<u>1,612,558</u>	AAA	<u>1,612,558</u>	<u>-</u>
	<u>\$ 25,724,583</u>		<u>\$ 1,612,558</u>	<u>\$ 24,112,025</u>

Concentration of Credit Risk

The investment policy of the Agency 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 Agency's investments.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

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 *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 Agency'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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The book value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF management has indicated that as of June 30, 2009, the amortized cost of the pool was \$50,743,288,381 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, totaling \$5,169.332 million and asset backed securities totaling \$2,296.565 million.

(b) Interfund Transactions

Due To / From

Interfund receivables and payables of fund financial statements at June 30, 2009 were as follows:

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

Due To	Due from Fort Ord Capital Projects Fund
Redevelopment Agency Capital Project Fund	\$ 621,323

The interfund receivables and payables balance represent temporary cash flow assistance. It is expected to be paid with the debt issuance of Seaside-Fort Ord Redevelopment Project Area Subordinate Tax Allocation Note, Series 2009.

Interfund transfers

The following is a schedule of interfund transfers:

	Transfers In	Transfers Out
Redevelopment Agency		
Debt Service Fund	\$ -	\$ 3,000,000
Redevelopment Agency Capital Projects Fund	3,000,000	-

In general, the Agency 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 restricted revenues collected in debt service funds 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.

(c) Loans and Notes Receivable

Housing Rehabilitation and Affordable Housing Loans

The Agency 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 \$1,649,942 and are offset by deferred revenue.

(d) Land Held for Resale

During the fiscal year ended June 30, 2009, the Agency purchased parcels of land within the redevelopment project area. The Agency currently plans to complete infrastructure improvements to the property and then resell the property to a developer. The land held in inventory is stated at a historical cost of \$4,613,624.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

(e) Capital Assets

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

	Balance July 1, 2008 *	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 4,975,894	\$ 1,128,027	\$ -	\$ 6,103,921
Capital assets, being depreciated:				
Buildings and improvements	452,438	-	-	452,438
Less accumulated depreciation for:				
Buildings and improvements	(204,328)	(9,363)	-	(213,691)
Net capital assets, being depreciated	248,110	(9,363)	-	238,747
Capital assets	<u>\$ 5,224,004</u>	<u>\$ 1,118,664</u>	<u>\$ -</u>	<u>\$ 6,342,668</u>

* The beginning balance of capital assets has been restated. See Note (4) (c).

(f) Long-Term Liabilities

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amount due within one year
Tax Allocation Refunding Bonds, Series 2001	\$ 1,370,000	\$ -	\$ 205,000	\$ 1,165,000	\$ 210,000
Tax Allocation Refunding Bonds, Series 2003	20,035,000	-	1,145,000	18,890,000	1,185,000
Unamortized Premium	666,709	-	26,668	640,041	-
Note Payable - Golf Course	2,637,500	-	-	2,637,500	-
Note Payable - CA Dept of Parks and Recreation	-	3,400,000	554,147	2,845,853	298,023
Compensated absences	12,853	3,186	-	16,039	-
Advances from the City of Seaside	7,018,355	87,052	2,125,000	4,980,407	-
Totals	<u>\$ 31,740,417</u>	<u>\$ 3,490,238</u>	<u>\$ 4,055,815</u>	<u>\$ 31,174,840</u>	<u>\$ 1,693,023</u>

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

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 is payable semiannually on each February 1 and August 1. Principal matures annually each August 1. 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	255,000	6,248	261,248
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. 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	950,000	133,031	1,083,031
Total	<u>\$ 18,890,000</u>	<u>\$ 7,010,445</u>	<u>\$ 25,900,445</u>

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to 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 fiscal year ended June 30, 2009 was \$9,563,921 as against the total debt service payments of \$2,361,523.

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.

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	1,199,088	121,857	1,320,945
Total	<u>\$ 2,845,853</u>	<u>\$ 676,671</u>	<u>\$ 3,522,524</u>

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

Advances from the City of Seaside

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. The outstanding balance at June 30, 2009, was \$4,980,407.

(g) Deferred Charges

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using the straight-line method.

(4) Other Information

(a) Commitments and Contingencies

There are certain claims against the Agency which have been denied and referred to the Agency's insurance carrier. The Agency believes that none of these claims will exceed insurance coverage. Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditure were disallowed, the Agency believes such disallowances, if any, would be immaterial.

On September 2, 2005, the Agency entered into a Disposition and Development Agreement with Sunbay Resort Associates, LLC to provide certain affordable and workforce housing. Under the agreement, the Agency is obligated to pay an annual amount of the greater of \$300,000 or the amount of the Agency's set-aside funds for affordable housing; and ten years after the date of the Agreement, the Agency is required to pay the sum of \$5,000,000 less all principal previously paid plus accrued simple interest at the rate of five percent (5%) per annum on all portions of the \$5,000,000 amount not paid, which interest shall not commence to accrue until the date on which twenty apartment units are leased in accordance with the terms of the Regulatory Agreement. The outstanding balance at June 30, 2009 was \$4,100,000.

(b) Subsequent Event

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

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

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 Housing Fund and use existing Housing Fund balance to pay both the 2009-2010 and 2010-2011 SERAF. The Agency intends to repay the 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 has 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 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. The City of Seaside has approved the Tax and Revenue Anticipation Notes (TRANS) for fiscal year 2009-2010, where the City can issue short-term notes in anticipation of collecting revenues and taxes. The Redevelopment Agency of the City of Seaside can invest in the TRANS and earn interest at the rate paid by the State of California Local Agency Investment Fund. The note(s) will be issued in \$5,000 increments as needed with a principal amount not to exceed \$2,500,000. The note(s) will mature one year after issuance.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Notes to Financial Statements (Continued)
June 30, 2009

(c) *Restatement of Net Asset*

As of June 30, 2009, the beginning net assets and fund balance were restated as follows,

	<u>Net Assets</u>
Beginning balance, as previous reported	\$ 9,024,957
Accumulated depreciation (1)	<u>(32,769)</u>
Beginning balance, as restated	<u><u>\$ 8,992,188</u></u>

(1) The beginning net assets balance has been restated to reflect capital assets related to Police Substation Land and related Buildings/Renovations acquired in the prior year. The assets have been reclassified from land to building and the net effect is the accumulated depreciation. As a result, prior year (fiscal year 2008) net assets were overstated by \$32,769.

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Required Supplementary Information

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Redevelopment Agency Housing Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax increment	\$ 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	200,000	200,000	121,517	(78,483)
Total revenues	<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>575,274</u>	<u>1,787,096</u>
Total expenditures	<u>2,362,370</u>	<u>2,362,370</u>	<u>575,274</u>	<u>1,787,096</u>
Net change in fund balance	<u>(237,370)</u>	<u>(237,370)</u>	<u>1,183,287</u>	<u>1,420,657</u>
Fund balance - beginning of year	<u>9,973,194</u>	<u>9,973,194</u>	<u>9,973,194</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 9,735,824</u></u>	<u><u>\$ 9,735,824</u></u>	<u><u>\$ 11,156,481</u></u>	<u><u>\$ 1,420,657</u></u>

See Accompanying Note to Required Supplementary Information.

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
Fort Ord Set Aside Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property tax increment	\$ 610,000	\$ 610,000	\$ 478,800	\$ (131,200)
Use of money and property	50,000	50,000	54,449	4,449
Total revenues	<u>660,000</u>	<u>660,000</u>	<u>533,249</u>	<u>(126,751)</u>
Expenditures:				
Current:				
Community development	587,120	587,120	465,882	121,238
Debt service:				
Principal	440,315	440,315	554,147	(113,832)
Interest and fiscal charges	-	-	326,484	(326,484)
Total expenditures	<u>1,027,435</u>	<u>1,027,435</u>	<u>1,346,513</u>	<u>(319,078)</u>
Deficiency of revenues under expenditures	<u>(367,435)</u>	<u>(367,435)</u>	<u>(813,264)</u>	<u>(445,829)</u>
Other financing sources (uses):				
Debt issuance	-	-	3,400,000	3,400,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,400,000</u>	<u>3,400,000</u>
Net change in fund balance	(367,435)	(367,435)	2,586,736	2,954,171
Fund balance - beginning of year	<u>811,145</u>	<u>811,145</u>	<u>811,145</u>	<u>-</u>
Fund balance - end of year	<u>\$ 443,710</u>	<u>\$ 443,710</u>	<u>\$ 3,397,881</u>	<u>\$ 2,954,171</u>

See Accompanying Note to Required Supplementary Information.

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

(1) Budgetary data

Bi-Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Formal budgetary integration is employed as a management control device is at the fund level.

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

<u>Fund</u>	<u>Fund Budget</u>	<u>Actual Amount</u>	<u>Amount in Excess of Budget</u>
Fort Ord Set Aside Special Revenue	\$ 1,027,435	\$ 1,346,513	\$ (319,078)



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Board of Directors of the
Redevelopment Agency of the City of Seaside

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance (Including the Provisions Contained in the Guidelines for Compliance Audits of Redevelopment Agencies) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Seaside (Agency), a component unit of the City of Seaside (City), California as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency described in the accompanying schedule of current year findings and recommendations as item 09-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Accounting and Reporting. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying current findings and recommendations as item 09-02.

This report is intended for the information of the Board of Directors and management of the Agency of the City of Seaside and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Macias Jini & O'Connell LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants
Newport Beach, California

December 29, 2009

REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
 CURRENT YEAR FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED JUNE 30, 2009

Financial Statement Finding:

Reference Number:	09-01
Financial Statement Area:	<i>No Cost Allocation plan</i>
Audit Finding:	During our audit, we noted the City did not have a cost allocation plan, which is used as documentation to identify, accumulate and allocate or develop billing rates based on the allowable costs of services provided by a government unit on a centralized basis to its departments. The City allocated these costs based on budget.
Recommendation	We recommend that the City develop and implement a cost allocation plan to ensure costs are allocated in accordance with relative benefits received.
Management Response	The City has a cost allocation plan which will be implemented in fiscal year 2009/10 and incorporated in the 2010-2011 and 2011-2012 two year budget.

Compliance Finding:

Reference Number:	09-02
Compliance Area:	<i>Annual Report Submission to the legislative body and State Controllers office</i>
Audit Finding:	The Agency did not submit a complete annual report for the fiscal year ended June 30, 2008, to the Board of Directors and State Controllers office within six months of the end of the respective fiscal year, as required by the California Health and Safety Code section 33080 and 33080.1.
Recommendation	We Recommend that the Agency develop, document and implement procedures to ensure required reports are submitted timely.
Management Response	The Agency report was submitted late due to late completion of the audit. This has been corrected in the current year's audit and the report will be submitted before the required due date.