

SALINAS REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS **For the Fiscal Year Ended June 30, 2010**



PREPARED BY

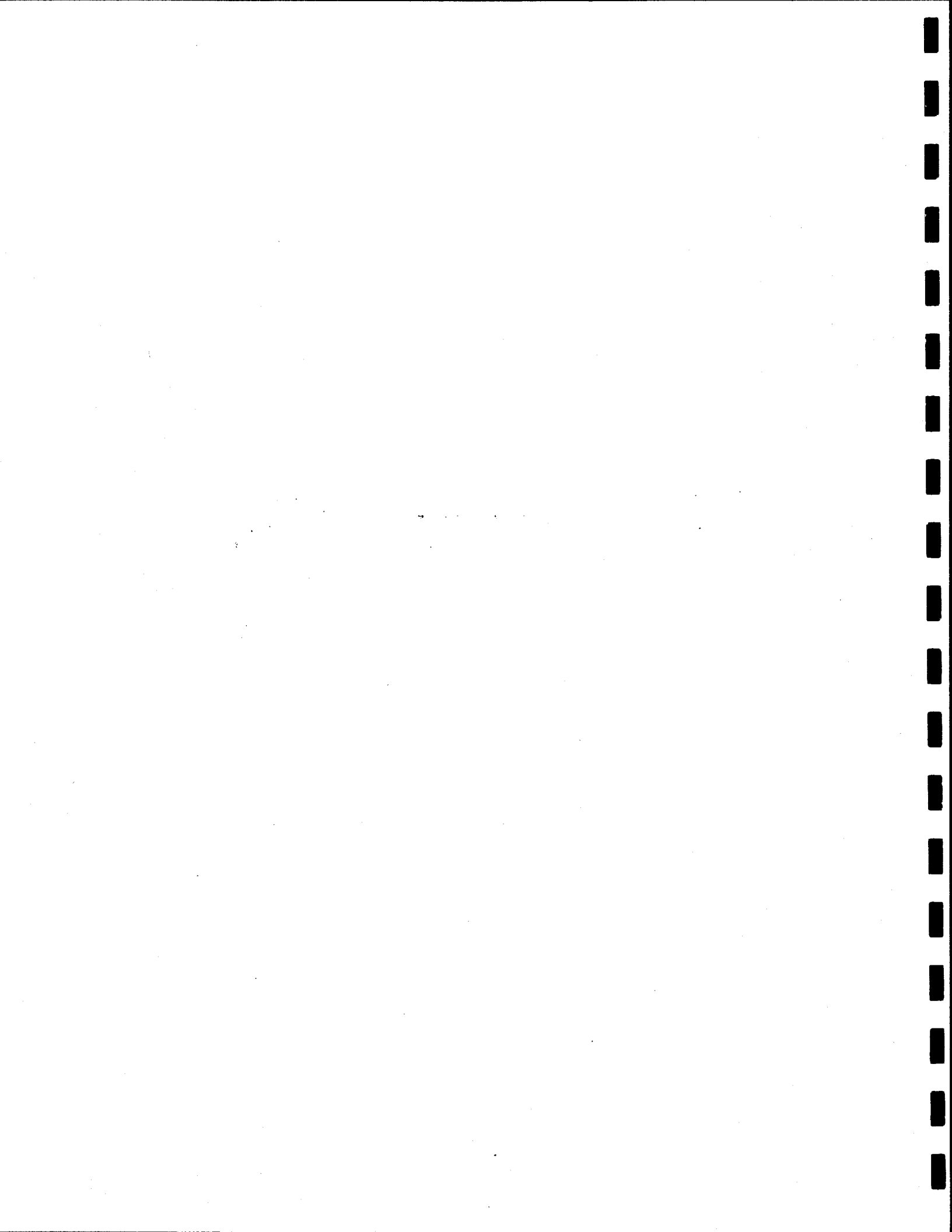
THE FINANCE DEPARTMENT

Tom L. Kever
Finance Director

Miguel Gutierrez, Accounting Officer
Elizabeth Mariano, Supervising Accountant

AUDITORS

McGilloway, Ray, Brown & Kaufman
Accountants & Consultants
379 W. Market St.
Salinas, CA 93901



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City of Salinas

Salinas Redevelopment Agency • 159 Main Street • Salinas, California 93901 • (831) 758-7387 • Fax (831) 771-0458

December 14, 2010

Honorable Chairperson and Members of the Salinas Redevelopment Agency Board of Directors:

We are pleased to submit the Salinas Redevelopment Agency (Agency) Annual Financial Report for the fiscal year ended June 30, 2010. State law requires that all redevelopment agencies publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applied to governmental units. The financial statements are to be audited by a certified public accountant in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Pursuant to that requirement, we hereby issue this annual financial report.

This is the seventh consecutive year that the Agency has produced financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model. This financial reporting model is intended to improve financial reporting by adding significant additional information not previously available in local government financial statements.

In addition to the fund-by-fund financial information the report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the Agency including all capital assets and long-term debt, and the Statement of Activities that shows the cost of providing governmental services by function. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. The modified accrual basis of accounting focuses on near-term inflows, outflows and balances of spendable financial resources. This report retains the short-term focus in the governmental fund financial statements while providing a long-term perspective on these same activities in the accrual based government-wide financial statements. A reconciliation report is provided as a key to understanding the differences between the two reporting methods. These new statements combined with other information are analyzed in the narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the Agency.

This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

This report consists of management's representations concerning the finances of the Agency. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Agency has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

McGilloway, Ray, Brown & Kaufman, a firm of licensed certified public accountants, has audited the Agency's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2010, are free of material misstatements. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Agency's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Salinas Redevelopment Agency

The City Council of the City of Salinas, acting pursuant to the provisions of the Community Redevelopment Law (California Health and Safety Code 33000, et seq.), activated the Agency on December 19, 1960. The Agency is charged with eliminating blight within designated geographic areas through the process of redevelopment. The Agency has broad authority to acquire, develop, administer, and sell or lease property, including the right of eminent domain and the right to issue long-term debt and expend proceeds.

Redevelopment activity is financed by secured and unsecured property taxes collected in designated project areas that would go to other taxing entities in the absence of redevelopment. This allocation, known as tax increment revenue, is pursuant to State law. The assessed valuation (base roll) of a project area prior to redevelopment is established. Thereafter, any increases in assessed valuation over the base roll are remitted to the Agency. Of that amount, 20 percent must be set-aside in a special fund to be used for the purposes of increasing, improving and preserving low- and moderate-income housing. The remaining funds (80%) are used to pay debt of the Agency for various capital projects, statutory pass-through under Assembly Bill (AB) 1290, and any agreements with other taxing entities prior to AB 1290, including the County and public schools within a project area.

The seven members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency in carrying out redevelopment activities. The City Manager serves as Executive Director, the City Attorney serves as Agency Counsel, the City Finance Director serves as Agency Treasurer and the City Clerk serves as Secretary of the Agency.

The budget serves as the foundation for the Agency's financial planning and control. The Agency, having adopted the City of Salinas' administrative policies and procedures, implements a budget based on the same cycle as the City. The Agency's fiscal year is from July 1 through the following June 30. The budget is submitted each May to the Agency's Board of Directors, who, depending on the budget cycle, by June 30, adopts a budget. The appropriated budget is prepared by fund (project area) and object classification (e.g., capital). The Executive Director may make transfers of appropriations within a division. Transfers of appropriations between divisions, however, require the special approval of the Board of Directors and must be permitted by Redevelopment Law.

Transfers of appropriations between funds are prohibited. Budget to actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted. This comparison is presented in the required supplementary information section of this report, which starts following the notes to the financial statements.

Cash Management Policies and Practices

The Agency's funds are invested as part of the City's investments. The City invests all idle funds daily. In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments including U.S. Treasury bills, notes and bonds,

U.S. Government agency issues, the State Local Agency Investment Fund, banker's acceptances, certificates of deposits, repurchase agreements, corporate medium-term notes, mortgage pass-through securities and asset-backed securities, and money market mutual funds. An investment and cash management policy is adopted annually by the City Council of Salinas. Investment income includes changes in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. Decreases in fair value during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2010, the adjustment for changes in fair value of investments was an unrealized gain of \$7,205 while interest earnings from investments was \$130,082.

Risk Management

The Redevelopment Agency participates in the City of Salinas' self-insurance programs for general liability and workers compensation, which affect the Agency. These insurance activities are accounted for in the City of Salinas' Risk Management Fund, an internal service fund. The Salinas Redevelopment Agency is a component unit of the City of Salinas. Additional information on the Agency's risk management activity can be found in Note 12 of the financial statements.

State Takeaway

On May 10, 2010 the Agency paid \$2,230,576 to the Supplemental Educational Revenue Augmentation Fund (SERAF) as required by state legislation (ABX4 26) enacted to balance the State of California budget. In order to make this payment the Agency suspended \$940,000 of its FY 2009-10 Low and Moderate Income Housing Funds set-aside pursuant to Health & Safety Code Section 33334.2 (k). The Agency is required to repay the suspended deposits no later than June 30, 2015, otherwise an additional 5% of gross tax increment must be deposited in the Housing Fund for the remainder of the plan life, commencing on July 1, 2015.

Additionally, on May 10, 2011, the Agency will be required to pay \$459,236 to SERAF as required by State budget action.

These actions set the Agency's redevelopment plans back several years. Operating expenditures had to be curtailed and other capital projects funding were placed on hold including business façade improvements, E. Market Street streetscape improvements, Alisal Street parking improvements, and other future development and redevelopment initiatives.

Monterey Street Parking Structure

The Monterey Street Parking Structure is a 5-level, 435-space parking garage adjacent to the Steinbeck Center and Maya Multiplex Theater. The parking structure provides parking for Maya Cinemas, National Steinbeck Center, surrounding business and future developments. The project was funded with tax-exempt financing and a \$2.0 million Federal grant. On December 17, 2003, the City sold Certificates of Participation (COPs) in the amount of \$16,630,000 at 4.68% interest for a term of thirty years.

Debt service payments of \$1,050,000 in 2008-09 and \$1,088,700 in 2009-10 were made using Central City Debt Service Funds. The maximum annual debt service payments are \$1,091,950. Pursuant to a reimbursement agreement the Salinas Redevelopment Agency (Central City Project) is responsible for debt service. The Agency's 2010-11 budget includes funds to make these debt service payments.

Commitments

See Note 13, Commitments, for a discussion of Agency commitments relating to pass through tax obligations to other taxing agencies, the Steinbeck Center Foundation and Monterey Street parking structure financings. See Note 14, Subsequent Events, for a discussion of State of California FY 2010-11 shifting of property tax increments.

Redevelopment Plan Amendment

Redevelopment staff is working on a plan amendment project that involves four potential changes to the current status quo:

1. Extend time limits of existing Project Areas;
2. Fiscally merge the Central City and Sunset Avenue Project Areas;
3. Extend/reinstate eminent domain;
4. Add area to the Existing Project Area(s) or create new project areas.

If approved, the Plan Amendments will provide the Agency with additional time, flexibility, and the financial resources to more effectively alleviate blight within its existing Project Areas. More specifically, they allow the Agency to focus redevelopment expenditures on high-priority projects and activities within the Project Areas. The Amendments will enhance and optimize the bonding capacity of the Agency by expanding the Agency's financial capacity. Additional areas in the City may also be qualified for redevelopment activity.

Acknowledgements

I would like to take this opportunity to thank the members of the Salinas Redevelopment Agency's Board of Directors for their interest and support in the financial operations of the Agency. It is the responsible and progressive manner in which business is conducted that makes the Agency successful. I would also like to recognize Alan Stumpf, Community Development Director and his staff for their day-to-day involvement in Agency operations without whom this presentation would not be possible.

In addition, I would like to extend a special thank-you to the Finance Department staff, Miguel Gutierrez, Accounting Officer and Elizabeth Mariano, Supervising Accountant, who are primarily responsible for the preparation of the financial report. I would also like to thank the Agency's auditors McGilloway, Ray, Brown & Kaufman. It is the combined effort of all participants that resulted in the issuance of this document.

Respectfully submitted,


Tom Keever
Finance Director

SALINAS REDEVELOPMENT AGENCY



List of Principal Officials

Dennis Donohue
Chairperson

Sergio Sanchez
Board member

Gloria De La Rosa
Board member

Steven Villegas
Board member

Tony Barrera
Board member

Janet Barnes
Board member

Jyl Lutes
Board member

Artie Fields
Executive Director

Ann Camel
Secretary

Vanessa Vallarta
Agency Counsel

Tom Kever
Treasurer

Alan Stumpf
Community Development Director



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McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

The Governing Board of
Salinas Redevelopment Agency
Salinas, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salinas Redevelopment Agency, (the Agency), a component unit of the City of Salinas, California as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Salinas Redevelopment Agency'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Salinas Redevelopment Agency, as of June 30, 2010, 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 7, 2010 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.

Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA, Larry W. Rollins, CPA

Reginald F. Pires, CPA, Sarita C. Shannon, CPA, Helen H. Rodriguez, CPA, CFE, Nancy H. Rimberg, CPA

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 38 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The introductory section and the budgetary comparison schedules – capital projects and debt service funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules – capital projects and debt service funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Mc Giloway, Ray, Brown & Kaufman

December 7, 2010

SALINAS REDEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2010

This analysis of the Salinas Redevelopment Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The Agency's net assets increased \$307,115 (2%) to \$15,777,728.
- The Agency's combined fund balances decreased \$1,550,814 (8.0%) over the previous year to an ending balance of \$17,102,167. The vast majority of the fund balances are reserved and unavailable.
- The Agency's tax increment revenue increased 5.4% over the prior fiscal year.
- The Agency's total liabilities decreased by \$806,934 (8.3%) to \$8,896,888 primarily due to payments on its bonded debt.
- The Agency funded \$2,042,234 in additional housing and small business loans. It received \$114,518 in principal repayments and forgave \$36,000 in housing loans receivable pursuant to loan agreements.
- The Agency paid \$2,230,576 to the Supplemental Educational Revenue Augmentation Funds (SERAF). This is 33% of the fiscal year's tax increment revenue.
- The Agency suspended the deposit of \$940,000 to the Low and Moderate Income Housing Funds in order to make the SERAF payment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements that are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the Agency and provide readers with a broad view of the Agency's finances. (Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.) All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Agency as a whole and about its activities. These statements include *all* assets and liabilities of the Agency using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

SALINAS REDEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2010

The Statement of Activities presents information showing how the Agency's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Fund Financial Statements

The fund financial statements provide detailed information about the Agency's major funds—not the Agency as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other 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. Since all Agency funds but one, are considered major funds under GASB 34, management decided to report all six (6) funds as major funds.

The fund financial statements include statements for governmental funds only. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current financial resources that emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the Agency's near-term financial requirements.

In order to better understand the Agency's long-term and short-term requirements, it is useful to compare the Agency's governmental fund statements with the governmental activities in the government-wide financial statements. Reconciliations are provided for both of the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances to facilitate this comparison.

All governmental funds are considered major governmental funds and reported in detail in the governmental fund financial statements.

Notes to Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain required supplementary information including the Agency's budgetary comparison schedules for the Central City Housing and Sunset Avenue Merged Housing special revenue funds.

Supplementary Information

Supplementary schedules concerning budgetary comparison schedules for all other funds are presented immediately following the required supplementary information.

SALINAS REDEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide condensed statements provide a comparison with the prior fiscal year.

Statement of Net Assets

Net assets are a good indicator of the Agency's financial position. At the end of this fiscal year, net assets of the Agency were \$15,777,728 which is an increase of \$307,115 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal year ended June 30, 2010.

Salinas Redevelopment Agency
Condensed Statement of Net Assets

	Fiscal Year Ended June 30,		Change	
	2010	2009	Amount	Percent
Assets:				
Current Assets	\$ 6,179,530	\$ 8,480,635	\$ (2,301,105)	-27.1%
Other Assets	13,540,687	11,674,875	1,865,812	16.0%
Capital Assets, Net	4,954,399	5,018,925	(64,526)	-1.3%
Total Assets	24,674,616	25,174,435	(499,819)	-2.0%
Liabilities:				
Current Liabilities	1,639,652	1,700,918	(61,266)	-3.6%
Long-term Liabilities	7,257,236	8,002,904	(745,668)	-9.3%
Total Liabilities	8,896,888	9,703,822	(806,934)	-8.3%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	3,053,746	2,989,744	64,002	2.1%
Restricted	15,808,195	16,745,695	(937,500)	-5.6%
Unrestricted	(3,084,213)	(4,264,826)	1,180,613	-27.7%
Total Net Assets	\$ 15,777,728	\$ 15,470,613	\$ 307,115	2.0%

Considering the fact that the Agency has \$8.9 million in debt it is noteworthy that the Agency still has Net Assets of \$15.8 million. Unrestricted Net Assets total a negative \$3.1 million. This is typical for most redevelopment agencies since a redevelopment agency can receive tax increments only if it has debt. The vast majority of the Agency's debt (and most other redevelopment agencies) is spent on infrastructure improvements that the Agency does not own. Infrastructure improvements are turned over to the City.

The Agency has \$15.8 million in restricted net assets that it cannot spend at its discretion because these funds are restricted by redevelopment law for debt service and housing activities. Further information on these restricted assets is provided in the discussion of the fund financial statements.

SALINAS REDEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2010

Total assets decreased \$499,819 while total liabilities decreased \$806,934 leading to an increase of \$307,115 in net assets.

Statement of Activities

The following is the condensed Statement of Activities for the fiscal year ended June 30, 2010.

	Salinas Redevelopment Agency Condensed Statement of Activities		Change	
	Fiscal Year Ended June 30,		Amount	Percent
	2010	2009		
Revenues				
Program Revenues:				
Charges for Services	\$ 71,915	\$ 79,205	\$ (7,290)	-9.2%
General Revenues:				
Tax Increments	6,724,829	6,382,888	341,941	5.4%
Investment Earnings	310,787	376,705	(65,918)	-17.5%
Miscellaneous	123,727	15	123,712	824746.7%
Total Revenues	<u>7,231,258</u>	<u>6,838,813</u>	<u>392,445</u>	5.7%
Expenses				
Administration	1,074,689	1,166,606	(91,917)	-7.9%
Housing	-	18,702	(18,702)	-100.0%
Public Works	213,752	331,975	(118,223)	-35.6%
Public Safety	301,469	312,830	(11,361)	-3.6%
Recreation	39,152	79,274	(40,122)	-50.6%
Contribution to Other Agencies	65,000	50,000	15,000	30.0%
Pass-through Taxes	1,099,535	1,040,812	58,723	5.6%
Contribution to SERAF	2,230,576	-	2,230,576	
Parking Structure Debt	1,088,700	-	1,088,700	
Interest on long-term debt	775,270	1,936,799	(1,161,529)	-60.0%
Total Expenditures	<u>6,888,143</u>	<u>4,936,998</u>	<u>1,951,145</u>	39.5%
Other Financing Sources (Uses)	<u>(36,000)</u>	<u>(36,000)</u>	<u>-</u>	0.0%
Change in Net Assets	307,115	1,865,815	(1,558,700)	-83.5%
Net Assets - Beginning	15,470,613	13,604,798	1,865,815	13.7%
Net Assets - Ending	<u>\$ 15,777,728</u>	<u>\$ 15,470,613</u>	<u>\$ 307,115</u>	2.0%

Tax increment revenues (94.6% of the Agency's revenues) increased \$341,941 (5.4%) from a year ago. Investment earnings decreased \$65,918 (17.5%) from last year due to continued declining interest rates and investment yields.

The 43.2% increase in expenses was due primarily to the Agency's required contribution of \$2,230,576 to the Supplemental Educational Revenue Augmentation Fund (SERAF) in accordance with a new State legislative requirement. This was a State requirement in order to balance the State budget. In order to make the payment, the Agency suspended the deposit of \$940,000 to the Low and Moderate Income Housing Funds.

All operating programs had decreased expenses due the budget cutbacks necessary to fund the SERAF contribution. The Agency made debt service payments of \$1,088,700 for the Parking Structure.

FUND FINANCIAL STATEMENT ANALYSIS

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SALINAS REDEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2010

At year-end the Agency's governmental funds reported combined fund balances of \$17.1 million. Approximately 94% of these funds (\$16.7 million) represent resources not available because they are:

- Reserved for long-term loans and note receivable - \$9,438,053
- Reserved for land held for resale - 3,448,830

Additionally, the following fund balances can be used only for their specified purposes:

- Reserved for encumbrances - \$ 76,483
- Reserved for debt service payments - 1,954,431
- Reserved for Plaza Grande operations - 298,300
- Reserved for parking structure debt service - 1,135,000

The Agency Board has at its discretion \$751,070 for future budgets. Of this amount \$743,818 can be used only for low and moderate income housing projects. The remainder of \$7,252 can be used for redevelopment projects and programs.

Fund Budgetary Highlights

The Agency does not have a general fund. By law, the Agency must set aside 20 percent (20%) of the tax increment revenue in a separate special revenue fund for low- and moderate-income housing. The other 80% of tax increments are deposited in the debt service funds to cover current debt obligations. Required budgetary comparison schedules – special revenue funds are on pages 39 through 41. Supplementary budgetary comparison schedules for all other funds can be found on pages 43 through 46.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010 the Agency had \$5.0 million invested primarily in land and buildings as summarized below. Additional information on the Agency's capital assets can be found in Note 8 on page 29 of this report. The Agency has minimal capital assets because most Agency financed improvements are infrastructure improvements that are owned by the City. No new capital assets were added during the fiscal year.

Salinas Redevelopment Agency
Condensed Statement of Capital Assets

	Fiscal Year Ended June 30,		Change	
	2010	2009	Amount	Percent
Land	\$ 2,276,508	\$ 2,299,628	\$ (23,120)	-1%
Buildings	3,475,581	3,475,581	-	0%
Improvements other than buildings	133,082	133,082	-	0%
Total Capital Assets	5,885,171	5,908,291	(23,120)	0%
Accumulated Depreciation	(930,772)	(889,366)	(41,406)	5%
Total Net Capital Assets	<u>\$ 4,954,399</u>	<u>\$ 5,018,925</u>	<u>\$ (64,526)</u>	-1%

SALINAS REDEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2010

Long-Term Debt

At June 30, 2010 the Agency had \$8.1 million in long-term debt as shown below. All debt was paid as scheduled. Additional information on the Agency's long-term debt can be found in Note 10 on page 30 of this report.

Salinas Redevelopment Agency
Condensed Statement of Long-term Debt

	Fiscal Year Ended June 30,		Change	
	2010	2009	Amount	Percent
Annual Leave	\$ 125,397	\$ 108,069	\$ 17,328	16.0%
Post Retirement Benefits	29,907	22,829	7,078	31.0%
Loans and Notes	391,308	471,184	(79,876)	-17.0%
Tax Allocation Bonds	7,631,674	8,403,470	(771,796)	-9.2%
	8,178,286	9,005,552	(827,266)	-9.2%
Less Issuance Discount	(124,863)	(133,782)	8,919	-6.7%
Net Long-Term Debt	<u>\$ 8,053,423</u>	<u>\$ 8,871,770</u>	<u>\$ (818,347)</u>	-9.2%

Standard & Poor's Corporation assigned both tax allocation bonds a rating of "AAA/Negative". Moody's Investors Service assigned both tax allocation bonds a rating of "Aa3".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency's budget is dependent on tax increment revenues. Tax increments increased 5.4% over the past fiscal year. The overall tax base change is dependent upon construction, property sales, and assessed property values. Tax increment revenue estimates for FY 2010-11 are based on assessed property value declines in the project areas for calendar 2009. Net taxable property values declined 16.2% in the Central City project area and declined 4.8% in the Sunset Avenue project area. The Agency modified its FY 2010-11 budgets accordingly.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Agency's Finance Department, at the Salinas Redevelopment Agency, 200 Lincoln Avenue, Salinas, California 93901.

SALINAS REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and Investments	\$ 3,832,090
Interest Receivable	577,960
Accounts Receivable	2,000
Loans Receivable	9,741,780
Taxes Receivable	202,650
Deferred Charges	350,077
Restricted Cash and Investments	1,564,830
Land Held for Resale	3,448,830
Capital Assets:	
Land and Nondepreciable Assets	2,276,508
Depreciable Assets-Net	<u>2,677,891</u>
 Total Assets	 <u>24,674,616</u>
 Liabilities	
Accounts Payable	553,110
Accrued Interest Payable	290,355
Long-Term Liabilities:	
Due Within One Year	902,439
Due in More than One Year-Net of Discounts	<u>7,150,984</u>
 Total Liabilities	 <u>8,896,888</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	3,053,746
Restricted for:	
Debt Service	3,251,551
Housing	12,556,644
Unrestricted	<u>(3,084,213)</u>
 Total Net Assets	 <u>\$ 15,777,728</u>

The accompanying notes are an integral part of this statement.

SALINAS REDEVELOPMENT AGENCY
Statement of Activities
For Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 1,074,689	\$	\$	\$ (1,074,689)
Public Safety	301,469			(301,469)
Housing	-	71,915		71,915
Public Works	213,752			(213,752)
Recreation	39,152			(39,152)
Contribution to other agencies	65,000			(65,000)
Pass-thru Taxes	1,099,535			(1,099,535)
SERAF	2,230,576			(2,230,576)
Parking Structure Debt	1,088,700			(1,088,700)
Interest on long-term debt	775,270			(775,270)
Total Governmental Activities	\$ 6,888,143	\$ 71,915	\$	(6,816,228)
		General Revenues		
				6,724,829
				310,787
				(36,000)
				123,727
				<u>7,123,343</u>
				307,115
				<u>15,470,613</u>
				<u>\$ 15,777,728</u>

The accompanying notes are an integral part of this statement.

SALINAS REDEVELOPMENT AGENCY

Governmental Funds

Balance Sheet

June 30, 2010

	Special Revenue		Capital Projects		Debt Service		Totals
	Central City Housing Fund	Sunset Avenue Merged Housing Fund	Central City Project Fund	Sunset Avenue Merged Project Fund	Central City Debt Service Fund	Sunset Avenue Merged Debt Service Fund	
Assets			*		*		
Cash and Investments	\$ 1,260,744	\$ 103,421	\$ 14,017	\$ 53,986	\$ 1,348,282	\$ 1,051,640	\$ 3,832,090
Interest Receivable	176,704	397,793	1,814			1,649	577,960
Accounts Receivable				2,000			2,000
Advance to Other Funds	450,000	490,000					940,000
Loans Receivable	4,955,339	4,213,329	220,011	49,374	303,727		9,741,780
Restricted Cash and Investments					1,564,830		1,564,830
Land Held for Resale	500,431	1,157,122	941,277	850,000			3,448,830
Total Assets	\$ 7,343,218	\$ 6,361,665	\$ 1,177,119	\$ 955,360	\$ 3,216,839	\$ 1,053,289	\$ 20,107,490
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 239,302	\$ 9,467	\$ 10,236	\$ 53,408	\$ 2,621	\$ 238,076	\$ 553,110
Deferred Revenues	625,049	887,164					1,512,213
Advance from Other Funds					450,000	490,000	940,000
Total Liabilities	864,351	896,631	10,236	53,408	452,621	728,076	3,005,323
Fund Balances:							
Reserved for:							
Encumbrances	48,391	27,171	921				76,483
Loans & Notes Receivable	4,955,339	4,213,329	220,011	49,374			9,438,053
Land Held for Resale	500,431	1,157,122	941,277	850,000			3,448,830
Debt Service					1,629,218	325,213	1,954,431
Plaza Grande Operations	298,300						298,300
Parking Structure Debt Svc.					1,135,000		1,135,000
Future Budgets	676,406	67,412	4,674	2,578			751,070
Total Fund Balances	6,478,867	5,465,034	1,166,883	901,952	2,764,218	325,213	17,102,167
Total Liabilities and Fund Balances	\$ 7,343,218	\$ 6,361,665	\$ 1,177,119	\$ 955,360	\$ 3,216,839	\$ 1,053,289	\$ 20,107,490

The accompanying notes are an integral part of this statement.