INDIO REDEVELOPMENT AGENCY

Financial Statements and Supplemental Data

Year Ended June 30, 2010

(With Independent Auditors' Report Thereon)

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Financial Statements and Supplemental Data

Year Ended June 30, 2010

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Board of Directors
Indio Redevelopment Agency
Indio, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Indio Redevelopment Agency (Agency), a component unit of the City of Indio, 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 management of the Indio Redevelopment Agency. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Indio Redevelopment Agency for the year ended June 30, 2009 and, in our report dated December 16, 2009, we expressed an unqualified opinion on those financial statements.

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 Indio Redevelopment Agency as of June 30, 2010, and the respective changes in financial position, of the Indio Redevelopment Agency for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented *management's discussion and analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The information identified in the accompanying table of contents as required supplementary information is not required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010, on our consideration of the Indio Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 preformed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 23, 2010

INDIO REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2010

	Governmental Activities	
	2010	2009
Assets:		
Cash and investments (note 3)	$ 11,443,169	17,920,999
Cash and investments with fiscal agent (note 3)	26,796,477	32,191,245
Accounts receivable	143,605	51,580
Due from other governments	210,604	121,515
Interest receivable	4,294	35,516
Notes receivable (note 9)	5,165,591	4,191,729
Deferred charges	2,158,662	2,240,884
Land held for resale	41,788,986	41,028,046
Total assets	87,711,388	97,781,514
Liabilities:		
Accounts payable	277,235	729,217
Accrued liabilities	30,492	37,443
Retentions payable	214,211	-
Pass-through payable	2,204,866	2,418,125
Interest payable	4,186,770	4,231,102
Long-term liabilities (notes 4 and 5):		
Due within one year	2,129,735	2,051,628
Due in more than one year	77,470,647	79,600,382
Total liabilities	86,513,956	89,067,897
Net assets:		
Restricted for:		
Low and moderate housing	9,803,135	7,002,279
Unrestricted	(8,605,703)	1,711,338
Total net assets	$ 1,197,432	8,713,617

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY
Statement of Activities
Year Ended June 30, 2010

		Program Revenues				
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities 2010	Governmental Activities 2009
Governmental activities:						
Community development	$ 8,144,172	660,557	111,824	281,422	(7,090,369)	(6,993,745)
Low and moderate housing	884,767	-	-	-	(884,767)	(1,214,122)
Interest and other fiscal charges	4,339,467	-	-	-	(4,339,467)	(6,401,873)
Total governmental activities	$ 13,368,406	660,557	111,824	281,422	(12,314,603)	(14,609,740)

	2010	2009
General revenues:		
Taxes:		
Tax increment, net	3,890,127	8,690,185
Investment income	324,352	257,937
Miscelleneous revenues	975	1,884
Total general revenues	4,215,454	8,950,006
Change in net assets	(8,099,149)	(5,659,734)
Net assets at beginning of year, as restated, (note 11)	9,296,581	14,373,351
Net assets at end of year	$ 1,197,432	8,713,617

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY
Governmental Funds

Balance Sheet

June 30, 2010

	Special Revenue	Debt Service	Capital Projects		
	Low and Moderate Housing	Redevelopment Debt Service	Redevelopment Capital Projects	Totals 2010	2009
Assets					
Assets:					
Cash and investments (note 3)	$ 3,264,764	7,030,380	1,148,025	11,443,169	17,920,999
Cash with fiscal agent (note 3)	335,740	5,026,052	21,434,685	26,796,477	32,191,245
Accounts receivable	1,610	-	141,995	143,605	51,580
Due from other governments	23,243	92,967	94,394	210,604	121,515
Interest receivable	2,213	2,081	-	4,294	35,516
Notes receivable (note 9)	4,325,314	-	840,277	5,165,591	4,191,729
Advances to other funds (note 7)	4,557,784	-	-	4,557,784	-
Land held for resale	-	-	41,788,986	41,788,986	41,028,046
Total assets	$ 12,510,668	12,151,480	65,448,362	90,110,510	95,540,630
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 4,490	4,730	268,015	277,235	729,238
Accrued liabilities	13,783	-	16,709	30,492	37,443
Advances from other funds (note 7)	-	-	4,557,784	4,557,784	-
Pass-through payable	-	2,204,866	-	2,204,866	2,418,125
Deferred revenue	961,802	-	28,025	989,827	65,816
Retentions payable	-	-	214,211	214,211	-
Total liabilities	980,075	2,209,596	5,084,744	8,274,415	3,250,622
Fund balances:					
Reserved for:					
Debt service	335,740	9,941,884	-	10,277,624	9,292,770
Notes receivable	3,363,512	-	812,252	4,175,764	3,375,913
Land held for resale	-	-	41,788,986	41,788,986	41,028,046
Advances to other funds	4,557,784	-	-	4,557,784	-
Low and moderate housing	3,273,557	-	-	3,273,557	6,758,088
Unreserved, reported in:					
Capital projects fund	-	-	17,762,380	17,762,380	31,835,191
Total fund balances	11,530,593	9,941,884	60,363,618	81,836,095	92,290,008
Total liabilities and fund balances	$ 12,510,668	12,151,480	65,448,362	90,110,510	95,540,630

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Year Ended June 30, 2010

Fund balances of governmental funds	$ 81,836,095
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Long term liabilities that have not been included in governmental fund activity:	
Bonds payable	(78,900,000)
Unamortized bond issuance costs	2,158,662
Advances from the City of Indio	(700,382)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(4,186,770)
Deferred revenue balances relating to certain receivables are not reported as liabilities in the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria.	989,827
Net assets of governmental activities	$ 1,197,432

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects		
	Low and Moderate Housing	Redevelopment Debt Service	Redevelopment Capital Projects	Totals 2010	2009
Revenues:					
Tax increment	$ 2,461,751	-	9,847,002	12,308,753	13,259,366
Investment income	147,868	125,793	281,422	555,083	923,826
Rental income	-	-	660,557	660,557	596,580
Miscellaneous	975	-	111,824	112,799	143,688
Total revenues	2,610,594	125,793	10,900,805	13,637,192	14,923,460
Expenditures:					
Current:					
Community development	-	-	8,431,429	8,431,429	7,926,566
Low and moderate income housing	884,767	-	-	884,767	1,214,122
Debt service:					
Principal	-	1,650,000	401,628	2,051,628	688,682
Interest and fiscal charges	-	4,285,532	19,123	4,304,655	3,601,027
Pass-through payments	-	3,717,380	143,462	3,860,842	5,081,874
SERAF payment	-	-	4,557,784	4,557,784	-
Total expenditures	884,767	9,652,912	13,553,426	24,091,105	18,512,271
Excess (deficiency) of revenues over (under) expenditures	1,725,827	(9,527,119)	(2,652,621)	(10,453,913)	(3,588,811)
Other financing sources (uses):					
Interfund transfers in (note 7)	-	10,176,233	-	10,176,233	12,319,930
Interfund transfers out (note 7)	(329,235)	-	(9,846,998)	(10,176,233)	(12,319,930)
Total other financing sources (uses)	(329,235)	10,176,233	(9,846,998)	-	-
Net change in fund balances	1,396,592	649,114	(12,499,619)	(10,453,913)	(3,588,811)
Fund balances at the beginning of year	10,134,001	9,292,770	72,863,237	92,290,008	95,878,819
Fund balances at the end of the year	$ 11,530,593	9,941,884	60,363,618	81,836,095	92,290,008

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2010

Net changes in fund balances - total governmental funds	$ (10,453,913)
Amounts reported for governmental activities in the Statement of Activities is different because:	
Changes in long-term liabilities are reported as expenditures and other financing sources (uses) in the governmental funds, but are reported as increases and decreases of long-term liabilities in the statement of net assets.	
Bonds payable principal reduction	1,650,000
Advances from the City of Indio	401,628
Bond issuance costs are amortized in the Statements of Activities, but are not reflected in the governmental funds.	
Amortization of deferred charges	(82,222)
Accrued interest expense related to long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.	44,332
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	341,026
Changes in net assets of governmental activities	$ (8,099,149)

See accompanying notes to the basic financial statements.

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the Indio Redevelopment Agency (Agency):

(a) Basis of Accounting and Measurement Focus

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Indio Redevelopment Agency has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. The *basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

(1) Summary of Significant Accounting Policies, (Continued)

(a) Basis of Accounting and Measurement Focus, (Continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds primarily represent assets held by the Agency in a custodial capacity for other individuals or organizations. The Agency has no nonmajor funds, enterprise funds, or fiduciary funds.

Governmental Funds

In the fund financial statements, governmental funds and agency funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses a sixty day availability period.

(1) Summary of Significant Accounting Policies, (Continued)

(a) Basis of Accounting and Measurement Focus, (Continued)

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, government funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

(1) Summary of Significant Accounting Policies, (Continued)

(a) Basis of Accounting and Measurement Focus, (Continued)

When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, and then from unrestricted resources.

(b) Major Funds

The following funds are presented as major funds in the accompanying basic financial statements:

Special Revenue, Low and Moderate Housing Fund – To account for the required 20% set aside of property tax increments that is legally restricted for increasing or improving housing for low and moderate income households.

Redevelopment Debt Service Fund – To account for the accumulation of resources for the payment of debt service for bond principal, interest and trustee fees.

Redevelopment Capital Projects Fund – To account for the bond proceeds, interest and other funding that will be used for development, planning, construction and land acquisition.

(c) Relationship to the City of Indio

The Indio Redevelopment Agency is an integral part of the reporting entity of the City of Indio. The funds of the Agency have been included within the scope of the comprehensive annual financial report of the City because the City is financially accountable. Only the funds and financial activity of the Agency are included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Indio, California.

(d) Tax Increment Revenue

The Agency has no power to levy and collect taxes, and any legislative property tax de-emphasis might necessarily reduce the amount of tax revenues that would otherwise be available to pay the principal of, and interest on loans from the City of Indio ("City"). Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would necessarily increase the amount of tax revenues that would be available to pay principal and interest on tax allocation bonds or loans from the City.

(1) Summary of Significant Accounting Policies, (Continued)

(e) Investments

Investments are reported in the accompanying balance sheet at fair value.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Agency pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments.* Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

(f) Land Held for Resale

Land purchased for the purposes of resale (or contribution to a redevelopment project) is recorded at the Agency's cost to purchase or, upon entering into a contract for sale, the estimated net realizable value, if lower.

(g) Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's prior year financial statements, from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(h) Deferred Charges

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable whereas issuance costs are recorded as an asset, deferred charges.

(2) Creation of the Indio Redevelopment Agency

The Indio Redevelopment Agency was formed in 1962 to initiate and implement two federally funded urban renewal projects – "Indio Centre" and "Mecca Vineyards". Both of these projects have completed their obligations under the federal contracts.

In 1981, the City Council re-activated the Agency under State Community Redevelopment Law and four survey areas were approved and considered for redevelopment activity. In July, 1981, the City Council adopted Ordinance No. 862, "Indio Centre Project Amendment No. 4" which expanded the Indio Centre Project from 57 acres to 909 acres.

A second project area of approximately 1,715 acres called the "Date Capital Redevelopment Project Area" was established in 1985. In July 1985, the City Council adopted Ordinance No. 923, "Redevelopment Enabling Plan for the Date Capital Redevelopment Project". The first tax increment revenue from this new project area was received in Fiscal Year 1986-1987.

During the fiscal year ended June 30, 2000, the Board of Directors passed a resolution merging the two existing project areas together to form one merged project area called the "Merged Area".

Goals and Objectives

The Redevelopment Project Area within the City of Indio includes a number of conditions which are specified in the California Health and Safety Code as characteristic of blight.

The general objectives of the Enabling Plans include eliminating such conditions of blight by providing needed public improvements; by encouraging rehabilitation and repair deteriorated structures; by facilitating land assembly and private development which will result in employment opportunities and an expanded tax base; and by promoting development in accordance with General Policies and Development Plan of the City of Indio.

More particularly, redevelopment seeks to forge partnerships between the public and private sectors in an effort to reach overall objectives, in a process that requires cooperation and participation among residents, business persons, community organizations, and public agencies in the revitalization of the merged project area. The partnerships may be ad hoc, formal or informal. Civic involvement in the redevelopment process is an underlying priority of the Indio Redevelopment Agency.

(3) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$11,443,169
Cash and investments held by bond trustee	26,796,477
Total cash and investments	$38,239,646

Cash and investments as of June 30, 2010 consist of the following:

Investments	$38,239,646
Total cash and investments	$38,239,646

Investments Authorized by the California Government Code

The Agency has funds that are included as part of the City of Indio investment portfolio. The funds deposited within the City's investment portfolio are subject to the City's investment policy. Disclosures regarding the City's investment portfolio are included in the City's Comprehensive Annual Financial Report.

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 table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	270 days	None	None
Investment Contracts	30 years	None	None

(3) Cash and Investments, (Continued)

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. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

		Remaining Maturing (in Months)			
Investment Type	Total	12 Months Or Less	13 to 36 Months	36 to 60 Months	More Than 60 Months
City investment pool	$11,443,169	11,443,169	-	-	-
Held by bond trustee:					
Money market funds	26,796,477	26,796,477	-	-	-
Total	$38,239,646	38,239,646	-	-	-

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

				Rating as of Year End		
Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	AAA	Aa	Not Rated
City investment pool	$11,443,169	N/A	-	-	-	11,443,169
Held by bond trustee:						
Money market funds	26,796,477	AAA	-	26,796,477	-	-
Total	$38,239,646		-	26,796,477	-	11,443,169

(3) Cash and Investments, (Continued)

Custodial Credit Risk

The Agency does not have significant separate certificates of deposit or demand accounts held by bond trustee that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The Agency does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

For the investments held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

(4) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Reductions	Balance at June 30, 2010	Amount due within one year	Amount due beyond one year
Advances from the City of Indio	$ 1,102,010	-	(401,628)	700,382	409,735	290,647
Loans from the Indio Public Financing Authority	755,000	-	(45,000)	710,000	50,000	660,000
1999 Revenue Refunding Bonds	3,185,000	-	(160,000)	3,025,000	165,000	2,860,000
2004 A Tax Allocation Refunding Bonds	9,370,000	-	(110,000)	9,260,000	115,000	9,145,000
2008 A Tax Allocation Refunding Bonds	60,600,000	-	(770,000)	59,830,000	795,000	59,035,000
2008 B Tax Allocation Refunding Bonds	6,640,000	-	(565,000)	6,075,000	595,000	5,480,000
Totals	$81,652,010	-	(2,051,628)	79,600,382	2,129,735	77,470,647

(4) Long-Term Liabilities, (Continued)

Taxable Loan, Series A - $1,105,000

On August 1, 1997, the Authority loaned $1,105,000 to the Agency. The loan accrues interest at 7.48% with the principal amount maturing on August 15, 2019. With respect to the repayment of the Taxable Loan, the Agency has pledged certain tax increment revenues. The outstanding balance at June 30, 2010 was $710,000.

The Authority issued certain bonds to provide funds to make certain loans to the Agency. As required in those official statements, each bond issue is required to maintain a reserve fund. Since the Agency has pledged revenues which, in turn, are to be used to pay debt service on the bonds, the Agency is maintaining those reserve funds.

In the case of the Series A reserve fund, the Authority substituted a reserve facility in place of making a cash deposit to such reserve funds. The indentures provide that in lieu of a cash deposit, the Authority may satisfy the reserve requirements by means of a qualified reserve fund credit instrument, which consists of a quality surety bond, insurance policy or similar financial undertaking. The Authority deposited a Financial Guaranty Insurance Policy issued by MBIA Insurance Corporation in the reserve fund for the Series A Bonds.

1999 Housing Set-Aside Revenue Refunding Bonds

On May 5, 1999 the Redevelopment Agency issued $4,445,000 of Housing Set-Aside Revenue Refunding Bonds, Series 1999. The proceeds were used to enable the Agency to pay the Agency's 1992 Housing Loan to the Indio Public Financing Authority. The bonds are payable solely from housing set-aside tax increment revenues of the Redevelopment Agency.

These bonds consist of $1,420,000 of serial bonds and $3,025,000 of term bonds. The serial bonds accrue interest at rates ranging from 3.35% to 5.00%. Principal payments are due each August 15 in amounts ranging from $100,000 to $160,000, with the final principal payment on August 15, 2022. The term bonds accrue interest at a rate of 5.375% maturing on August 15, 2022. The term bonds are subject to mandatory redemption from sinking account payments prior to their maturity in principal amounts ranging from $165,000 to $315,000, as outlined in the bond indenture. The outstanding balance at June 30, 2010 was $3,025,000.

(4) Long-Term Liabilities, (Continued)

1999 Housing Set-Aside Revenue Refunding Bonds, (Continued)

As required in the official statement, a reserve fund is required to be maintained. The amount to be maintained in the reserve fund is an amount equal to or greater than the maximum annual debt service on the bonds. The required amount of the reserve fund was $332,350. At June 30, 2010 the actual reserve amount was $335,740.

Tax Allocation Bonds, Series 2004A

In July 2004, the City of Indio Redevelopment Agency issued $9,760,000 Tax Allocation Bonds Series 2004A. The proceeds were used to finance redevelopment activities of the Agency and to advance refund Tax Increment Revenue Refunding Bonds 1997 Series C. $2.4 million of the net proceeds (after payment of $1.1 million in underwriting fees, insurance, and other issuance costs) plus an additional $3 million of 1997 Series C sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 1997 Series C bonds are considered to be defeased and the liability for those bonds was removed from the government-wide statement of net assets.

The 2004A bonds consist of $500,000 of serial bonds and $9,260,000 of term bonds. The serial bonds accrue interest at rates between 4.125% and 5.00% and the principal amounts mature between August 15, 2005 and August 15, 2009 in amounts ranging from $95,000 to $110,000. Term bonds of $645,000 accrue interest at 5.60% and mature on August 15, 2014, and bonds of $8,615,000 accrue interest at 6.30% and mature on August 15, 2033.

The Series 2004A term bonds maturing in the years 2014 and 2033 are subject to mandatory sinking account redemption on each August 15, commencing on August 15, 2010 and August 15, 2015, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

Per the terms of the bond indenture, the Series 2004A are required to maintain a reserve in the amount of 10% of the original proceeds, 125% of the average annual debt service for that every subsequent bond year, or 10% of the issue price of the bonds held in the Special Escrow Fund. At June 30, 2010, the reserve was fully funded and the outstanding balance of the Series 2004A was $9,260,000.

Tax Allocation Bonds, Series 2008A and B

In April 2008, the City of Indio Redevelopment Agency issued $60,600,000 Tax Allocation Bonds Series 2008A and $6,640,000 Subordinate Tax Allocation Bonds Series 2008B. The proceeds were used to finance redevelopment activities of the Agency and to advance refund Tax Increment Revenue Refunding Bonds, 1997 Series B, and Tax Allocation Bonds, 2004 Series B.

(4) Long-Term Liabilities, (Continued)

Tax Allocation Bonds, Series 2008A and B,(Continued)

The 2008A bonds consist of $35,655,000 of serial bonds and $24,945,000 of term bonds. The serial bonds accrue interest at rates between 4.00% and 5.25% and the principal amounts mature between August 15, 2009 and August 15, 2028 in amounts ranging from $770,000 to $2,925,000. Term bonds of $9,685,000 accrue interest at 5.250% and mature on August 15, 2031, bonds of $7,630,000 accrue interest at 5.625% and mature on August 15, 2035, and bonds of $7,630,000 accrue interest at 5.250% and mature on August 15, 2035.

The 2008B bonds consist of $6,640,000 and $3,500,000 term bonds. Term bonds of $3,140,000 accrue interest at 5.500% and mature on August 15, 2013, and term bonds of $3,500,000 accrue interest at 6.750% and mature on August 15, 2018.

The Series 2008A term bonds maturing in the years 2031, 2035, and 2035 are subject to mandatory sinking account redemption on each August 15, commencing on August 15, 2029, August 15, 2032, and August 15, 2032, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

The Series 2008B term bonds maturing in the years 2013 and 2018 are subject to mandatory sinking account redemption on each August 15, commencing on August 15, 2009 at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

Reserve requirements for the Series 2008A and Series 2008B bonds are disclosed in the bond documents. At June 30, 2010, the reserves were fully funded and the outstanding balance of the Series 2008A and Series 2008B bonds was $59,830,000 and $6,075,000, respectively.

A portion of the net proceeds of the Series 2008A bonds totaling $25,993,323, plus an additional $286,179 and $1,531,077 of the Tax Increment Revenue Refunding Bonds, 1997 Series B, and Tax Allocation Bonds, 2004 Series B, respectively, sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Tax Increment Revenue Refunding Bonds, 1997 Series B, and Tax Allocation Bonds, 2004 Series B. As a result, these bonds are considered defeased and the liability for those bonds have been removed from the government-wide statements.

(5) Debt Service Requirements to Maturity

The annual requirements to amortize outstanding long-term liabilities of the Agency as of June 30, 2010 are as follows:

Year Ending June 30	Loans Payable Principal	Loans Payable Interest	Refunding Bonds Principal	Refunding Bonds Interest
2011	$ 50,000	51,238	1,670,000	4,763,555
2012	55,000	47,311	1,755,000	4,713,453
2013	60,000	43,010	1,830,000	4,664,283
2014	65,000	38,335	1,910,000	4,611,290
2015	65,000	33,473	2,000,000	4,434,355
2016	70,000	28,424	2,090,000	4,372,173
2017	75,000	23,001	2,195,000	4,308,889
2018	85,000	17,017	2,305,000	4,233,765
2019	90,000	10,472	2,435,000	4,157,029
2020	95,000	3,553	2,565,000	3,217,580
2021	-	-	2,580,000	3,085,644
2022	-	-	2,705,000	2,961,819
2023	-	-	2,840,000	2,824,097
2024	-	-	2,675,000	2,679,486
2025	-	-	2,930,000	2,542,486
2026	-	-	3,075,000	2,392,606
2027	-	-	3,225,000	2,231,723
2028	-	-	3,475,000	2,059,313
2029	-	-	3,790,000	1,873,568
2030	-	-	3,990,000	1,665,510
2031	-	-	4,200,000	1,446,428
2032	-	-	4,420,000	1,215,690
2033	-	-	4,680,000	972,773
2034	-	-	4,930,000	708,810
2035	-	-	3,860,000	430,650
2036	-	-	4,060,000	220,763
	$ 710,000	295,834	78,190,000	72,787,738

(6) Pledged Revenues

The Agency has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Tax increment revenues	$9,847,002	5,588,669	57%
Tax increment revenues	$2,461,751	326,594	13%

(7) Interfund Receivables, Payables and Transfers

Long-term interfund receivables and payables as of June 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount	
Redevelopment Low/ Moderate Fund	Redevelopment Capital Projects	$ 4,557,784	(a)
	Total	$ 4,557,784	

(a) In January 2010, the Redevelopment Low/Moderate Fund loaned the Redevelopment Capital Projects Fund $4,557,784 for payment of the SERAF contribution. The Redevelopment Capital Projects Fund will repay the Low Mod Fund in installments or in a lump sump by fiscal year ending June 30, 2015.

Transfers in and out for the year ended June 30, 2010 were as follows:

Transfers from	Transfers to	Amount
Redevelopment Capital Project	Redevelopment Debt Service	$ 9,846,998 (a)
Redevelopment Low/Moderate	Redevelopment Debt Service	329,235 (b)
	Total	$10,176,233

(a) $9,846,998 was transferred from the RDA Capital Project Fund to the RDA Debt Service Fund to cover debt service payments.
(b) $329,235 was transferred from the RDA Low/Moderate Fund to the RDA Debt Service Fund to cover debt service payments, of 1999 Revenue Refunding Bonds.

(8) Revenue Tax Sharing Agreement

In March 1997, the City entered into an agreement with the County of Riverside in order to obtain the County's cooperation to annex property in the unincorporated County area with the intention of developing a relocation site for the new and used auto dealers of the City of Indio. The development of the Desert Cities Auto Center and its annexation into the City of Indio is expected to generate significant sales and use taxes as well as property taxes from the improved site. In return, the City agrees to provide maintenance of certain County facilities. In return for the County's cooperation in approving the Desert Cities Auto Center site plan and its annexation into the City of Indio, this agreement provides that the City of Indio will dedicate the equivalent of 50% of sales and use taxes derived from the annexed property to the County until a maximum of $2,640,000 is paid to the County, and thereafter the City shall dedicate 25% of said sales and use taxes for the remainder of a thirty-year period. Upon expiration of the term of the agreement and upon payment by the City to the County of the sum of $1, the County shall convey fee title to the County Improvements. During fiscal year 2009-2010, payment in the amount of $226,894 was made to the County.

(9) Notes Receivable

	Outstanding at June 30, 2010
Various first time home buyer notes were issued to homeowners	$ 95,350
Desert Theatre rehabilitation	76,545
Jackalope Restaurant	503,425
Promissory notes	260,307
Housing rehabilitation deferred loan program	873,299
Horizons at Indio senior housing project	3,356,665
Total	$5,165,591

The note for the Desert Theatre was loaned for the purpose of rehabilitating and preserving the theatre. The note accrues interest at 6% annually. Annual payments commenced on July 1, 2008 and the note is due in full on July 1, 2028.

The note for the Jackalope Restaurant was loaned to Morcus Management Company and Jackalope, LLC for the purpose of purchasing new furniture, fixtures, and equipment for the Restaurant. The note accrues interest at 4% annually. Quarterly payments will commence on March 31, 2010 and the note is due in full on March 31, 2016. Morcus Management Company has not made the June 30, 2010 payment as of the date of this report and is in negotiations with the City to restructure the terms of the note.

The note with 10-West Motor Sports is a promissory note secured by a second deed of trust with John Baird. The note was issued on May 1, 2009 and accrues interest at 5% annually. Annual payments commenced on May 3, 2010 and the note is due in full on May 2, 2016. The amount outstanding as of June 30, 2010 was $190,307.

The note with Big Willie's was loaned to Willie Lynch for the purpose of establishing and operating a specialty barbeque restaurant. The note accrues interest at 4% annually. Annual payments will commence on January 3, 2011 and the note is due in full on November 2, 2015. The amount outstanding as of June 30, 2010 was $70,000.

The Housing Rehabilitation Deferred Loan program provides financial assistance in the form of deferred low-interest loans to qualified homeowners, allowing them to eliminate health and safety-related property conditions, make basic improvements to the interior of the residence, and to make needed exterior aesthetic home improvements. After ten years of satisfactory program participation, continued home-owner occupancy, and exemplary maintenance/upkeep of the property, the loan would be forgiven and converted into a grant. The amount of loans outstanding as of June 30, 2010 was $873,299.

The Horizons at Indio senior housing project note was issued on December 1, 2005 and is due in full on December 1, 2060 or at an earlier time if the acceleration clause of the agreement becomes effective as defined in the agreement. The note accrues interest at 1% annually.

(10) Contingent Liabilities

The Agency is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from actions do not have a material adverse effect on the Agency's financial position.

When adopting its budget for fiscal year 2010-2011, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal year 2011. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time.

(11) Prior Period Adjustments

The accompanying financial statements include adjustments that resulted in the restatements of beginning net assets. The following summarizes the effect of the prior period adjustments to beginning net assets as of July 1, 2009:

	Government-Wide Statement of Net Assets
Net assets – beginning of year, as previously reported	$8,713,351
To record notes receivable previously unrecorded in prior years	582,964
Net assets – beginning of year, as restated	$9,296,581

REQUIRED SUPPLEMENTARY INFORMATION

INDIO REDEVELOPMENT AGENCY
Low and Moderate Housing Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	$ 2,584,000	2,584,000	2,461,751	(122,249)	2,651,873
Investment income	100,000	100,000	147,868	47,868	129,956
Miscellaneous	-	-	975	975	1,883
Total revenues	2,684,000	2,684,000	2,610,594	(73,406)	2,783,712
Expenditures:					
Current:					
Low and moderate housing	1,682,635	1,682,635	884,767	797,868	1,214,122
Total expenditures	1,682,635	1,682,635	884,767	797,868	1,214,122
Excess (deficiency) of revenues over (under) expenditures	1,001,365	1,001,365	1,725,827	724,462	1,569,590
Other financing sources (uses):					
Interfund transfers out	(326,594)	(326,594)	(329,235)	(2,641)	(658,047)
Total other financing sources (uses)	(326,594)	(326,594)	(329,235)	(2,641)	(658,047)
Net change in fund balance	674,771	674,771	1,396,592	721,821	911,543
Fund balance at beginning of year	10,134,001	10,134,001	10,134,001	-	9,222,458
Fund balance at end of year	$ 10,808,772	10,808,772	11,530,593	721,821	10,134,001

(1) Budgetary Reporting

The Agency adopted an annual budget prepared on the modified accrual basis for the Special Revenue Fund, which is consistent with generally accepted accounting principles (GAAP). The Debt Service and Capital Projects Funds budgets were not presented because these funds of the Agency are primarily "long-term" budgets which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of projects, annual budget comparisons are not considered meaningful and, accordingly, no budgetary information is included in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

INDIO REDEVELOPMENT AGENCY
Computation of Low/Moderate Housing Fund - Excess Surplus
June 30, 2010

Fund Balance - June 30, 2010		$ 11,530,593
Less Unavailable Amounts:		
Notes reveivable		(4,325,314)
Advances		(4,557,784)
Available Low/Moderate Income Housing Funds		2,647,495
Limitation (Greater of $1,000,000 or Four Years Set-Aside):		
Set-aside for last four years		
2009 - 2010	2,461,751	
2008 - 2009	2,651,873	
2007 - 2008	2,813,004	
2006 - 2007	2,437,065	
Total set-aside for last four years	10,363,693	
Base limitation	1,000,000	
Greater Amount		10,363,693
Computed Excess Surplus - June 30, 2010		$ -

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Board of Directors
Indio Redevelopment Agency
Indio, California

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Indio Redevelopment Agency ("Agency") as of and for the year ended June 30, 2010 and have issued our report thereon dated December 23, 2010. 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 of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 no instances of noncompliance or other matters that was required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

This report is intended for the information and use of the Board of Directors, management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 23, 2010