INDIO REDEVELOPMENT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2011

INDIO REDEVELOPMENT AGENCY
FINANCIAL STATEMENTS
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indio Redevelopment Agency
Indio, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Indio Redevelopment Agency, a component unit of the City of Indio, California, as of and for the fiscal year ended June 30, 2011, 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 comparative information has been derived from the financial statements of the Indio Redevelopment Agency for the fiscal year ended June 30, 2010, which was audited by other auditors whose report dated December 23, 2010, 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.

The Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition,* and Statement No. 59, *Financial Instruments Omnibus,* effective July 1, 2010.

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, 2011, and the respective changes in financial position for the fiscal 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 a report dated December 20, 2011 on our consideration of the 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 performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information of page 31 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 as essential part of financial reporting for placing the basic financial statementsin an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 responses 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 Calculation of Excess Surplus on page 34 is presented for purposes of additional analysis and is not a required part of the financial statements. The Calculation of Excess Surplus is the responsibility of management and was derived from and relates 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.

Moss, Levy & Hartzheim

Moss, Levy &Hartzheim, LLP
Culver City, California
December 20, 2011

INDIO REDEVELOPMENT AGENCY
Statement of Net Assets
Fiscal Year Ended June 30, 2011
Comparative Totals for the Fiscal Year Ended June 30, 2010

	Governmental Activities	
	2011	2010
Assets:		
Cash and investments (note 3)	$ 15,643,402	$ 11,443,169
Cash with fiscal agent (note 3)	15,392,860	26,796,477
Accounts receivable, net	278,089	143,605
Due from other governments	17,498	210,604
Interest receivable	7,460	4,294
Notes receivable (note 5)	4,948,958	5,165,591
Deferred charges	2,076,440	2,158,662
Land held for resale	42,441,265	41,788,986
Total assets	80,805,972	87,711,388
Liabilities:		
Accounts payable	716,755	277,235
Accrued payroll	33,861	30,492
Retentions payable	34,048	214,211
Pass-through payable	2,032,296	2,204,866
Interest payable	1,544,864	4,186,770
Long-term liabilities (notes 6 to 13):		
Portion due within one year	1,810,000	2,129,735
Portion due in more than one year	75,370,000	77,470,647
Total liabilities	81,541,824	86,513,956
Net assets:		
Restricted for:		
Debt service	7,385,923	8,365,853
Low and moderate housing	11,807,556	9,803,135
Unrestricted	(19,929,331)	(16,971,556)
Total net assets (deficit)	$ (735,852)	$ 1,197,432

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY
Statement of Activities
Fiscal Year Ended June 30, 2011
Comparative Totals for the Fiscal Year Ended June 30, 2010

		Program Revenues			Total	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2011	2010
Governmental Activities:						
Community development	$ 7,697,837	$ 724,327	$ 61,488	$ 104,664	$ (6,807,358)	$ (7,090,369)
Low and moderate housing	691,689				(691,689)	(884,767)
Interest and other fiscal charges	4,256,792				(4,256,792)	(4,339,467)
Total Governmental Activities	$ 12,646,318	$ 724,327	$ 61,488	$ 104,664	(11,755,839)	(12,314,603)
General Revenues						
Tax increment					7,110,840	3,890,127
Investment income					91,456	324,352
Miscelleneous revenues					9,520	975
Total General Revenues					7,211,816	4,215,454
Change in Net Assets					(4,544,023)	(8,099,149)
Net Assets, Beginning of Fiscal Year					1,197,432	9,296,581
Prior Period Adjustments					2,610,739	
Net Assets, Beginning of the Fiscal Year, Restated					3,808,171	9,296,581
Net Assets (Deficit), End of the Fiscal Year					$ (735,852)	$ 1,197,432

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY

Governmental Funds

Balance Sheet

June 30, 2011

With Comparative Totals of June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Totals	
	Low and Moderate Housing	Redevelopment Debt Service	Redevelopment Capital Projects	2011	2010
Assets					
Assets:					
Cash and investments (note 3)	$ 3,661,964	$ 3,953,569	$ 8,027,869	$ 15,643,402	$ 11,443,169
Cash and investments with fiscal agent (note 3)	332,356	4,975,484	10,085,020	15,392,860	26,796,477
Accounts receivable	9,520		268,569	278,089	143,605
Due from other governments	3,500		13,998	17,498	210,604
Interest receivable	2,008	2,164	3,288	7,460	4,294
Notes receivable (note 5)	4,357,996		590,962	4,948,958	5,165,591
Advances to other funds (note 4)	5,496,151			5,496,151	4,557,784
Land held for resale			42,441,265	42,441,265	41,788,986
Total assets	$ 13,863,495	$ 8,931,217	$ 61,430,971	$ 84,225,683	$ 90,110,510
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 55,885	$ 430	$ 660,440	$ 716,755	$ 277,235
Accrued liabilities	11,088		22,773	33,861	30,492
Advances from other funds (note 4)			5,496,151	5,496,151	4,557,784
Deferred revenue	994,483		115,562	1,110,045	989,827
Retentions payable			34,048	34,048	214,211
Pass-through payable			2,032,296	2,032,296	2,204,866
Total liabilities	1,061,456	430	8,361,270	9,423,156	8,274,415
Fund balances:					
Nonspendable	9,869,175	2,164	43,318,082	53,189,421	51,870,864
Restricted	2,932,864	8,928,623	9,751,619	21,613,106	29,965,231
Unassigned					
Total fund balances	12,802,039	8,930,787	53,069,701	74,802,527	81,836,095
Total liabilities and fund balances	$ 13,863,495	$ 8,931,217	$ 61,430,971	$ 84,225,683	$ 90,110,510

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

June 30, 2011

Fund Balances of Governmental Funds		$ 74,802,527
Amounts reported for governmental activities in the statement of net assets are different because:		
Long-term debt that has not been included in the governmental fund activity:		
Bonds payable	$ (77,180,000)	
Unamortized issuance costs on long term debt	2,076,440	(75,103,560)
Accrued interest payable for the current portion of interest due on long term liabilities has not been reported in the governmental funds		(1,544,864)
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 measureable and available criteria		1,110,045
NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ (735,852)

See accompanying notes to the basic financial statements.

INDIO REDEVELOPMENT AGENCY

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Fiscal Year Ended June 30, 2011

With Comparative Totals for the Fiscal Year Ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Totals	
	Low and Moderate Housing	Redevelopment Debt Service	Redevelopment Capital Projects	2011	2010
Revenues:					
Tax increment	$ 2,244,603	$ -	$ 8,978,413	$ 11,223,016	$ 12,308,753
Investment income	41,132	50,324	104,664	196,120	555,083
Rental income			724,327	724,327	660,557
Miscellaneous	9,520		61,488	71,008	112,799
Total revenues	2,295,255	50,324	9,868,892	12,214,471	13,637,192
Expenditures:					
Current:					
Community development			7,818,055	7,818,055	8,431,429
Low and moderate income housing	691,689			691,689	884,767
Debt service:					
Principal		1,720,000	700,382	2,420,382	2,051,628
Interest and fiscal charges		4,197,340	8,397	4,205,737	4,304,655
Pass-through payments			3,173,809	3,173,809	3,860,842
SERAF payment			938,367	938,367	4,557,784
Total expenditures	691,689	5,917,340	12,639,010	19,248,039	24,091,105
Excess (deficiency) of revenues over (under) expenditures	1,603,566	(5,867,016)	(2,770,118)	(7,033,568)	(10,453,913)
Other financing sources (uses):					
Interfund transfers in (note 4)		4,855,919		4,855,919	10,176,233
Interfund transfers out (note 4)	(332,120)		(4,523,799)	(4,855,919)	(10,176,233)
Total other financing souces (uses)	(332,120)	4,855,919	(4,523,799)		
Net change in fund balances	1,271,446	(1,011,097)	(7,293,917)	(7,033,568)	(10,453,913)
Fund balances at the beginning of the fiscal year	11,530,593	9,941,884	60,363,618	81,836,095	92,290,008
Fund balances at end of the fiscal year	$ 12,802,039	$ 8,930,787	$ 53,069,701	$ 74,802,527	$ 81,836,095

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

For the Fiscal Year Ended June 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (7,033,568)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayments	$ 1,720,000	
Repayment of advances	700,382	2,420,382
Bond issuance costs, discounts, premiums, and deferred loss on refunding are recorded as expenditure/revenue in the governmental funds, but appear as deferred charges in the statement of net assets. These are amortized over the the lives of the respective debt:		
Amortization of bond issuance costs		(82,222)
Interest payable on long-term debt is accrued for Statement of Net Assets. The net change during the period.		31,167
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting		120,218
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ (4,544,023)

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.

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.

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

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

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.

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.

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

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

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.

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 increment 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.

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

(b) Major Funds (Continued)

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.

(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 the estimated net realizable value, if lower.

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

(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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's prior year financial statements, from which this selected financial data was derived.

(h) Deferred Charges

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which 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.

(i) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the Agency implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), *"Fund Balance Reporting and Governmental Fund Type Definitions"*. The requirements of this statement are effective for financial statement periods beginning after June 15, 2010.

GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote.

The definitions of the special revenue fund type, capital projects fund type, and debt service fund type are also clarified by the provisions on this statement.

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the Agency implemented GASB Statement No. 59, *"Financial Instrument Omnibus"*. This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

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

(j) Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Agency is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Agency's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the Agency's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the Agency's funds that include amounts not contained in the other classifications.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget amendments that occur throughout the fiscal year.

(k) Estimates

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

(2) 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, 2011 are classified in the accompanying financial statements as follows:

Statements of net assets:		
Cash and investments	$	15,643,402
Cash and investments held by bond trustee		15,392,860
	$	31,036,262
Total cash and investments		

Cash and investments as of June 30, 2011 consist of the following:		
Investments	$	31,036,262
Total cash and investments	$	31,036,262

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

Investments 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 days	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 60 Months	36 to 60 Months	More Than 60 Months
City investment pool	$ 15,643,402	$ 15,643,402	$ -	$ -	$ -
Held by bond trustee:					
Money market funds	15,392,860	15,392,860			
Total	$ 31,036,262	$ 31,036,262	$ -	$ -	$ -

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 fiscal 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 in investment pool	$ 15,643,402	N/A	$ -	$ -	$ -	$15,643,402
Held in bond trustee:						
Money market funds	15,392,860	AAA		15,392,860		
Total	$ 31,036,262		$ -	$ 15,392,860	$ -	$15,643,402

(3) Cash and Investments, (Continued)

Custodial Credit Risk

The Agency does not have significant separate certificates of deposit or demand accounts held by the 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) Interfund Receivables, Payables and Transfers

Long-term interfund receivables and payables as of June 30, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
Redevelopment Low/ Moderate Fund	Redevelopment Capital Projects	$ 5,496,151 (a)
	Total	$ 5,496,151

(a) In fiscal year 2010-11, the Redevelopment Low/Moderate Fund advanced $938,367 to Redevelopment Capital Project Funds for payment of the SERAF contribution. The outstanding loan balance as of June 30, 2011 was $5,496,151. The Redevelopment Capital Projects Fund will repay the Low Mod Fund in installments or in a lump sum by fiscal year ending June 30, 2015.

Transfers in and out for the fiscal year ended June 30, 2011 were as follows:

Transfer from	Transfer to	Amount
Redevelopment Capital Project	Redevelopment Debt Service	$ 4,523,799 (a)
Redevelopment Low/Moderate	Redevelopment Debt Service	332,120 (b)
	Total	$ 4,855,919

(a) $4,523,799 was transferred from the RDA Capital Project Fund to the RDA Debt Service Fund to cover debt service payments.

(b) $332,120 was transferred from the RDA Low/Moderate Fund to the RDA Debt Service Fund to cover debt service payments, of 1999 Revenue Refunding Bonds.

(5) Notes Receivable

Various first time home buyer notes were issued to homeowners	$	95,350
Jackalope restaurant		508,446
CV volunteers in medicine		75,000
Los Primos		7,516
Housing rehabilitation deferred loan program		873,299
Horizons at Indio senior housing project		3,389,347
Total	$	4,948,958

On November 5, 2008, and in furtherance of redevelopment goals to promote development on Highway 111, the Agency approved a $500,000 loan agreement to Morcus Management and Jackalope for alterations to a restaurant located at 80-400 Highway 111, in Indio, California. The loan was scheduled to be paid over a seven year period at an interest rate of 4%, however, on November 16, 2010, due to financial difficulties encountered by Morcus Management and Jackalope, an amendment was made to the original loan agreement providing that no payments are necessary for the first 13.5 months following the amendment date, to accommodate for the cash flow concerns of Morcus Management and Jackalope. Morcus Management and Jackalope have not made payments and have agreed, with the City, to defer all loan payments, interest free, until March 31, 2012. Interest accrued through November 16, 2010 is $8,446.

On August 4, 2010, the Agency approved a $75,000 loan agreement to the Coachella Valley Volunteers in Medicine, a California based non-profit corporation. Funds from the Coachella Valley Volunteers in Medicine, have been allocated for construction of a new healthcare clinic to be operated at the intersection of 48th Street and Jackson Street in the City of Indio with the completion of construction estimated to occur in or about June 2013. During the construction and until completion of the Jackson Site, the Coachella Valley Volunteers in Medicine intends to and shall conduct its operations at 81-880 Dr. Carreon Boulevard. The Agency, in furtherance of the development goals to provide healthcare delivery options to lower-income individuals located in eastern Riverside County, California has provided financial assistance in the amount of $75,000 solely and exclusively for the purchase of furniture, fixtures and equipment to the Coachella Valley Volunteers in Medicine. From the date the temporary site opens for business the Coachella Valley Volunteers in Medicine must maintain continuous operation within the City or must repay the City $75,000 without any offset.

On December 2, 2010, and in furtherance of development goals to eliminate vacant buildings, through rehabilitation of existing buildings, the Agency approved a $7,516 loan agreement to restaurant located at 82-231 Indio Boulevard., in Indio, California. Furthermore, the loan has a forgiveness clause which hinges on the stipulation that the restaurant maintains business for a term of five years commencing on January 1, 2011 and ending on January 1, 2016. As thus, there will be no payments due to the Agency unless the site ceases business operations for a period of thirty days or more within the term.

(5) Notes Receivable, (Continued)

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, 2011 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.

(6) Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Amount due within one year	Amount due beyond one year
Advances from the City of Indio	$ 700,382	$ -	$ (700,382)	$ -	$ -	$ -
Loans from the Indio Public Financing Authority	710,000		(50,000)	660,000	55,000	605,000
1999 Revenue Refunding Bonds	3,025,000		(165,000)	2,860,000	175,000	2,685,000
2004 A Tax Allocation Refunding Bonds	9,260,000		(115,000)	9,145,000	120,000	9,025,000
2008 A Tax Allocation Refunding Bonds	59,830,000		(795,000)	59,035,000	835,000	58,200,000
2008 B Tax Allocation Refunding Bonds	6,075,000		(595,000)	5,480,000	625,000	4,855,000
Totals	$ 79,600,382	$ -	$ (2,420,382)	$ 77,180,000	$ 1,810,000	$ 75,370,000

(6) Long-Term Liabilities, (Continued)

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

On August 1, 1997, the Public Financing Authority (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, 2011 was $660,000.

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, 2011 was $2,860,000.

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, 2011, the actual reserve amount was $332,356.

(6) Long-Term Liabilities, (Continued)

Tax Allocation Bonds, Series 2004A

In July 2004, the 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 term 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 redemption price equal to the principal amount thereof together with accrued interest, without premium.

Per the terms of the bond indenture, the Series 2004A bonds are required to maintain a reserve in the amount of 10% of the original proceeds, 125% of the average annual debt service every subsequent bond year, or 10% of the issue price of the bonds held in the Special Escrow Fund. At June 30, 2011, the reserve was fully funded and the outstanding balance of the Series 2004A bonds was $9,145,000.

Tax Allocation Bonds, Series 2008A and B

In April 2008, the 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.

(6) 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 of term bonds. Term bonds of $6,640,000 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, 2011, the reserves were fully funded and the outstanding balance of the Series 2008A and Series 2008B bonds were $59,035,000 and $5,480,000, 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.

(7) Debt Service Requirements to Maturity

The annual requirements to amortize outstanding long-term liabilities of the Agency as of June 30, 2011 is as follows:

Fiscal Year Ending June 30,	Loans Payable Principal	Loans Payable Interest	Refunding Bonds Principal	Refunding Bonds Interest
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
2017-2021	345,000	54,043	12,080,000	19,002,907
2022-2026			14,225,000	13,400,494
2027-2032			23,100,000	10,492,232
2033-2036			17,530,000	2,332,996
	$ 660,000	$ 244,596	$ 76,520,000	$ 68,024,183

(8) 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 fiscal 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 the 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	$ 8,978,413	$ 5,581,152	62%
Tax increment revenues	2,244,603	323,159	14%

(9) 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 2010-2011, payments amounting to $256,617 were made to the County.

(10) Restricted Net Assets

Restricted net assets are net assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at June 30, 2011 for governmental activities are as follows:

Restricted by the California Health and Safety Code	$	11,807,556
Restricted by Debt Service through Bond Indenture		7,385,923
	$	19,193,479

None of the net assets at June 30, 2011 were restricted by enabling legislation.

(11) Commitments and 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.

There are certain claims against the Agency, which have been denied and referred to the Agency insurance carrier. The Agency believes that none of these claims will exceed insurance coverage.

Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditure were disallowed, the Agency believes such disallowances, if any, would be immaterial.

SERAF Contingency

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the Indio Redevelopment Agency (the Agency).

ERAF Contribution

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling $350 million.

In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the Sacramento Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in "Genest". Accordingly, the Superior Court's decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389.

(11) Commitments and Contingent Liabilities

SERAF Contributions

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling $1.7 billion for the fiscal year 2009-2010 and $350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contributions are $4,557,784 for the fiscal year 2009-2010 and $938,367 for 2010-2011. It is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions, however, the Agency has made the contributions for 2009-2010 and 2010-2011.

Recent Changes in Legislature Affecting California Redevelopment Agencies

The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

If the City, as the Agency's sponsoring community, does not elect to continue the Agency under the provisions of the Continuation Act, the Agency will be deemed dissolved effective October 1, 2011. Under the provisions of the Dissolution Act, an "Enforceable Payment Obligation Schedule" (EOPS) will be adopted by the Agency and presented to the County Auditor-Controller for certification. The last official act of the Agency will be to provide a draft "Recognized Obligation Payment Schedule" (ROPS) to a successor agency. The ROPS is subject to an independent audit and a review by an independent oversight board. Once audited and accepted by the oversight board, the County Auditor & Controller is directed to retain an amount of tax increment sufficient to meet the ongoing cost of enforceable obligations, and then distribute the remainder of revenues to the affected taxing agencies.

If the City elects to continue the Agency, the City Council must enact a non-binding resolution of its intent to continue the Agency no later than October 1, 2011, and it must also enact an ordinance agreeing to comply with the Continuation Act no later than November 1, 2011. Pursuant to the Continuation Act, the City must then make an annual payment, which may be reimbursed by the

(11) Commitments and Contingent Liabilities (Continued)

Agency. The required payment, which was calculated by the State Department of Finance and released to the City on August 1, 2011, will be $3,239,637 for FY 2011-12. Subsequent remittance payments will be calculated using a statutory ratio that will be applied to the FY 2011-12 payment and adjusted for inflation and other items. The Agency estimates that the payment for FY 2012-13 will be $900,000.

The City has not recorded any liability related to these Acts in these financial statements. At the close of FY 2010-11 the amount of the required payment was not yet known. The California Redevelopment Association, the League of California Cities, and two cities have sued to prevent enforcement of the Acts. On August 11, 2011, the Supreme Court of California (Supreme Court) agreed to hear the lawsuit and committed to issuing a decision by January 15, 2012. The Supreme Court also issued a stay of many elements of the Acts, including dissolution, County actions required for continuation, and the required payment, until the Supreme Court rules on the merits of the case. The deadlines imposed by the Acts with respect to affirmation of continuation are expected to be re-set by the Supreme Court at that time, depending on its decision. If the Supreme Court upholds these Acts, the realization of any costs related to the Continuation Act is subject to an action by the City Council taken subsequent to the issuance of this report. Should the City Council elect to discontinue the Agency, it would then be dissolved and its rights, obligations and responsibilities would be assigned to a successor agency. If the Supreme Court upholds these Acts, the City Council will consider the ordinance required for continuation of the Agency subsequent to the issuance of this report.

(12) Subsequent Events

On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act) (additional information on this legislation is available in Note 11). On August 25, 2011, the Board of Directors of the Redevelopment Agency adopted the Enforceable Obligation Payment schedule and on September 28, 2011, the Board of Directors of Redevelopment Agency adopted the Recognized Obligation Payment Schedule and an amended Enforceable Obligation Schedule. Both schedules are required by the Dissolution Act. No other actions have been taken in light of the stay orders issued by the California Supreme Court California Redevelopment Assn. v. Matosantos (SI94861). If the Dissolution Act and Continuation Act are upheld, the Agency will be required to make a determination to continue or to dissolve the Agency. These actions will be taken subsequent to the issuance of this report.

(13) 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, 2010:

	Government wide Statement of Net Asset
Net assets - beginning of the fiscal year, as previously reported	$ 1,197,432
Over accrued interest payable as previously reported in the prior years	2,610,739
Net assets - beginning of the fiscal year, as restated	$ 3,808,171

(14) Financial Condition

The Agency had a deficit in net assets of $735,852 at June 30, 2011. It is estimated but uncertain that the tax increment revenue received over the remaining life of the Agency will be adequate to eliminate the deficit. Any remaining deficit at the end of the Agency's life will be absorbed by the City's General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

INDIO REDEVELOPMENT AGENCY

Low/Moderate Income Housing Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2011

Comparative Totals for the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive	Prior Year
	Original	Final	Amounts	(Negative)	Actual
REVENUE:					
Taxes	$ 2,321,000	$ 2,321,000	$ 2,244,603	$ (76,397)	$ 2,461,751
Investment income	100,000	100,000	41,132	(58,868)	147,868
Miscellaneous			9,520	9,520	975
TOTAL REVENUE	2,421,000	2,421,000	2,295,255	(125,745)	2,610,594
EXPENDITURES:					
Current:					
Community development	1,627,427	1,627,427	691,689	935,738	884,767
TOTAL EXPENDITURES	1,627,427	1,627,427	691,689	935,738	884,767
Excess of revenues over (under) expenditures	793,573	793,573	1,603,566	809,993	1,725,827
OTHER FINANCING SOURCES (USES):					
Transfers out	(323,159)	(1,261,526)	(332,120)	929,406	(329,235)
TOTAL OTHER FINANCING SOURCES (USES)	(323,159)	(1,261,526)	(332,120)	929,406	(329,235)
Net change in fund balance	470,414	(467,953)	1,271,446	1,739,399	1,396,592
FUND BALANCE, BEGINNING OF THE FISCAL YEAR	11,530,593	11,530,593	11,530,593		10,134,001
FUND BALANCE, END OF THE FISCAL YEAR	$ 12,001,007	$ 11,062,640	$ 12,802,039	$ 1,739,399	$ 11,530,593

See Notes to Required Supplementary Information

INDIO REDEVELOPEMENT AGENCY

Notes to Required Supplementary Information

Fiscal Year Ended June 30, 2011

(1) Budgetary Reporting

The Agency adopted an annual budget prepared on the modified accrual basis for the Special Revenue Fund, which is consistent with accounting principles generally accepted in the United States of America (US GAAP). The Debt Service and Capital Project 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 and Moderate Income Housing Fund Excess Surplus

For the Fiscal Year Ended June 30, 2011

		Low and Moderate Housing Funds All Project Funds
Fund balance at June 30, 2011		$ 12,802,040
Less unavailable amounts:		
Notes receivable		(3,363,513)
Advances - SERAF		(5,496,151)
Available Low and Moderate Income Housing Funds		3,942,376
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	10,363,693	
Base limitation	1,000,000	
Greater amount		10,363,693
Computed Excess Surplus		None

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAUDITING STANDARDS

Board of Directors
Indio Redevelopment Agency
Indio, California

We have audited the financial statements of the Indio Redevelopment Agency ("Agency") , a component unit of the City of Indio, California, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above, in a separate letter to management of the Agency and the City of Indio dated December 20, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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 are required to be reported under *Government Auditing Standards.*

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAUDITING STANDARDS

Board of Directors
Indio Redevelopment Agency
Indio, California

We have audited the financial statements of the Indio Redevelopment Agency ("Agency") , a component unit of the City of Indio, California, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above, in a separate letter to management of the Agency and the City of Indio dated December 20, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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 are required to be reported under *Government Auditing Standards.*

We noted certain other matters we reported to the management of the Agency and the City of Indio in a separate letter dated December 20, 2011.

This report is intended solely for the information of the Agency's Board of Directors, Management of the Agency, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy &Hartzheim, LLP
Culver City, California
December 20, 2011

MOSS, LEVY & HARTZHEIM LLP
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INDEPENDENT AUDITOR'S REPORT ON
CALIFORNIA REDEVELOPMENT AGENCIES COMPLIANCE

Board of Directors
Indio Redevelopment Agency
Indio, California

Compliance

We have audited the Indio Redevelopment Agency (Agency)'s compliance with the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller applicable to the Agency for the fiscal year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on State laws and regulations occurred. An audit includes examining, on a test basis, evidence about Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Agency's compliance with those requirements.

In our opinion, the Indio Redevelopment Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the compliance requirements for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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A deficiency in internal control over compliance 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, noncompliance on a timely basis. A materialweakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 20, 2011