

City of Arts & Innovation

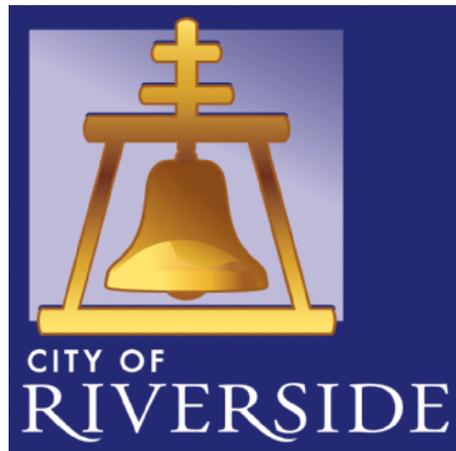
Annual Financial Report

Year Ended June 30, 2010



Annual Financial Report

For Fiscal Year Ended June 30, 2010



**Prepared by the Development Department
Bradley J. Hudson, Executive Director
3900 Main Street, 5th Floor
Riverside, California 92522**

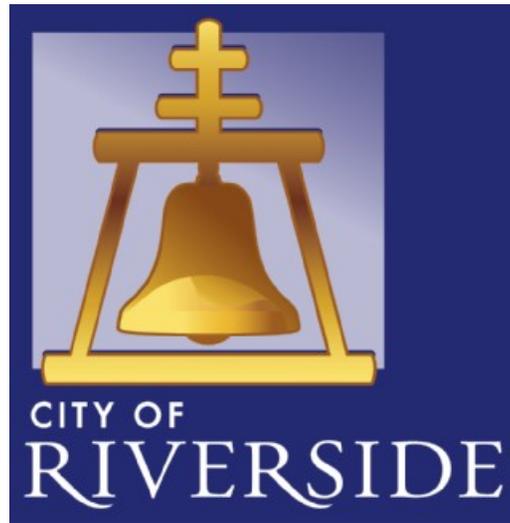


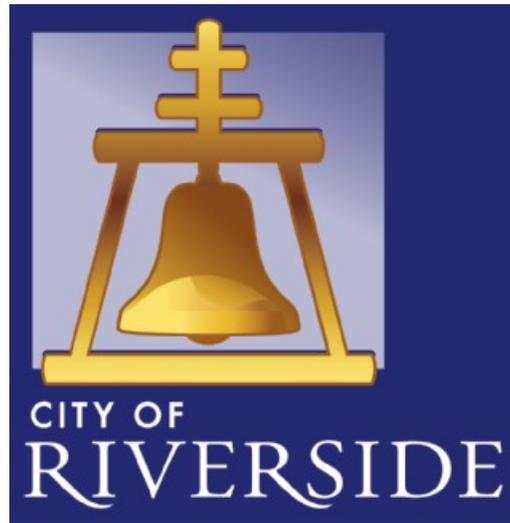
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Redevelopment Agency of the City of Riverside

Redevelopment Agency Board

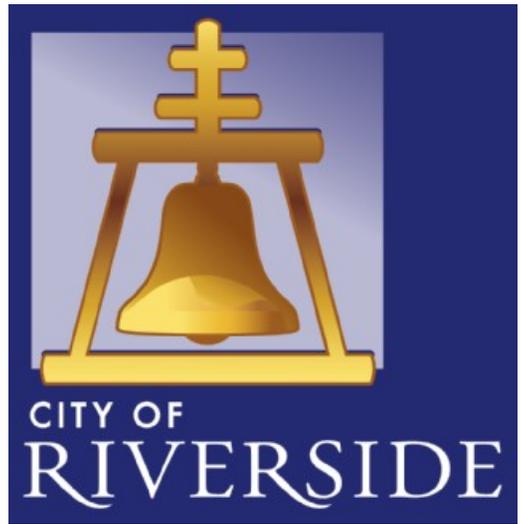
Ronald O. Loveridge
Mike Gardner
Andy Melendrez
Rusty Bailey
Paul Davis
Chris Mac Arthur
Nancy Hart
Steve Adams

Mayor
Council Member—Ward 1
Council Member—Ward 2
Council Member—Ward 3
Council Member—Ward 4
Council Member—Ward 5
Council Member—Ward 6
Council Member—Ward 7

Agency Officials

Bradley J. Hudson
Colleen J. Nicol
Paul C. Sundeen
Gregory P. Priamos
Deanna Lorson
Tina English
Eva Yakutis
Vanessa Kirks
Wendy Holland

Executive Director
Agency Secretary
Agency Treasurer
Agency General Counsel
Development Director
Assistant Development Director
Housing and Community Development Manager
Development Fiscal Manager
Redevelopment Program Manager



CITY OF
RIVERSIDE



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Board of Directors
Redevelopment Agency of the City of Riverside
Riverside, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside, a blended component unit of the City of Riverside, California, as of and for the year ended June 30, 2010, which collectively comprise the Redevelopment Agency of the City of Riverside's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside, California, as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Redevelopment Agency of the City of Riverside
Page Two

The Management's Discussion and Analysis, as listed in the table of contents, is not a 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redevelopment Agency of the City of Riverside, California's basic financial statements. The combining and individual nonmajor fund financial statements and computation of excess/surplus funds, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 October 18, 2010 on our consideration of the Redevelopment Agency of the City of Riverside's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman Mc Cann P.C.

San Jose, California
October 18, 2010

Management's Discussion and Analysis

As management of the Redevelopment Agency of the City of Riverside (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2010. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements highlight functions of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Agency include redevelopment activities and interest on long-term debt. Redevelopment activities include the development of projects and infrastructure necessary to eliminate blight and encourage economic expansion, which creates and preserves jobs for citizens of the project areas.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are in the governmental funds category.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Downtown/Airport, University Corridor/Sycamore Canyon and La Sierra/Arlanza Debt Service Funds; and for Hunter Park/Northside, Downtown/Airport, University Corridor/Sycamore Canyon and La Sierra/Arlanza Capital Projects Funds, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* as supplementary information.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-32 of this report.

Other information. The combining statements for non-major governmental funds can be found pages 33-36 of this report. The calculation of the excess surplus for the Low/Moderate Income Housing Funds can be found on page 37 of this report. This calculation is a HUD requirement to ensure that low/moderate funds are expended with the allotted timeframe.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$49,443 at June 30, 2010.

By far the largest portion of the Agency's net deficit reflects its bonded indebtedness. The Agency, operating under California Redevelopment Law, must maintain debt in excess of its available assets to legally receive tax increment revenue. Bond funds are used to construct infrastructure, which becomes an asset of the City, or to alleviate blight. These expenditures do not create assets to offset bonded debt. Future tax increment revenues must be used to liquidate noncurrent bond liabilities.

A summary of the Agency's Statement of Net Assets at June 30, 2010 compared to June 30, 2009 is as follows:

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
Non-capital assets	\$284,808	\$317,624
Capital assets (net of accumulated depreciation)	<u>1,625</u>	<u>1,672</u>
Total assets	<u>286,433</u>	<u>319,296</u>
Long-term liabilities outstanding	307,006	308,437
Other liabilities	<u>28,348</u>	<u>30,577</u>
Total liabilities	<u>335,354</u>	<u>339,014</u>
Net assets:		
Invested in capital assets, net of related debt	1,625	1,672
Restricted	30,944	40,725
Unrestricted	<u>(81,490)</u>	<u>(62,115)</u>
Total net assets	<u><u>(\$48,921)</u></u>	<u><u>(\$19,718)</u></u>

- Non-capital assets decreased \$32,863 due primarily to the expenditure of bond proceeds for various capital projects and improvements.
- Long-term liabilities decreased \$1,431 due to repayment of bonds and City advances that funded various capital projects, improvements and acquisitions.

Governmental activities. The Agency's net assets decreased by \$29,203. Key elements of this decrease are as follows:

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
Revenues:		
Program revenues:		
Charges for Services	\$2,589	\$2,361
Capital grants and contributions	1,841	1,180
General revenues:		
Property tax increment	57,956	65,485
Other	6,699	8,374
Total revenues	<u>69,085</u>	<u>77,400</u>
Expenses:		
Redevelopment activities	83,249	69,902
Interest on long-term debt	15,039	15,250
Gain/Loss on Sale of Capital Assets	0	0
Total expenses	<u>98,288</u>	<u>85,152</u>
Increase(Decrease) in net assets	(29,203)	(7,752)
Net assets (deficit) – July 1	(19,718)	(11,966)
Net assets (deficit) – June 30	<u>(\$48,921)</u>	<u>(\$19,718)</u>

- Charges for Services increased by \$228 due to an increase in principal payments and building leases revenue.
- Property tax increment revenues decreased \$7,529 during the year, due to the declining economy that resulted in the reduction of property value assessments.
- Other general revenues decreased by \$1,675 primarily due to decreased investment earnings.
- Redevelopment activities expenses increased \$13,347 as a result of funding new and existing redevelopment activities such as consulting services, acquisitions, relocation assistance, site clearance and capital improvements for all project areas.

Financial Analysis of the Agency’s Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The Agency has seven major governmental funds: The Debt Service Fund consists of Downtown/Airport, University Corridor/Sycamore Canyon and La Sierra/Arlanza; and the Capital Projects Fund consists of Hunter Park/Northside, Downtown/Airport, University Corridor/Sycamore and La Sierra Arlanza.

	Fund Balance 2010	Fund Balance 2009
<u>Debt Service</u>		
Downtown/Airport	\$8,153	\$9,755
University Corridor/Sycamore Canyon	4,389	4,711
La Sierra/Arlanza	1,785	2,000
 <u>Capital Projects</u>		
Hunter Park/Northside	15,970	25,076
Downtown/Airport	42,586	34,772
University Corridor/Sycamore Canyon	21,130	19,566
La Sierra/Arlanza	34,226	55,379

As of the end of the current fiscal year, the Agency’s governmental funds reported combined ending fund balances of \$224,733, a decrease of \$29,253 in comparison with the prior year. Approximately 14% of this total amount \$33,584 constitutes unreserved fund balance, which is available for spending in accordance with the fund’s purpose. The remaining reserved fund balance has already been committed 1) to liquidate contracts and purchase orders of the prior period \$6,514; 2) to pay debt service \$7,034; 3) land held for resale \$93,002; 4) Designation for future operations \$63,065; and for a variety of other restricted purposes \$21,534.

Capital Asset and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$1,625 (net of accumulated depreciation). This investment in capital assets includes land and equipment. A summary of the Agency's capital assets, net of depreciation, follows:

	Capital Assets 2010	Capital Assets 2009
Land	\$1289	\$1289
Buildings	0	0
Improvements other than buildings	370	370
Machinery and equipment	262	269
Construction in progress	0	0
Subtotal	1,921	1,928
Less accumulated depreciation	(296)	(256)
Total	\$1,625	\$1,672

Additional information on the Agency's capital assets can be found in note 5 on page 24 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total bonded debt outstanding of \$278,867. The bonds are secured solely by specified revenue sources (i.e., tax allocation bonds).

The Agency's total long-term debt obligations increased by \$6,840 offset by retirements of \$7,807 during the current fiscal year.

Time and bonded debt limitations exist in all project areas. Time limitations vary by dates area was added to the project.

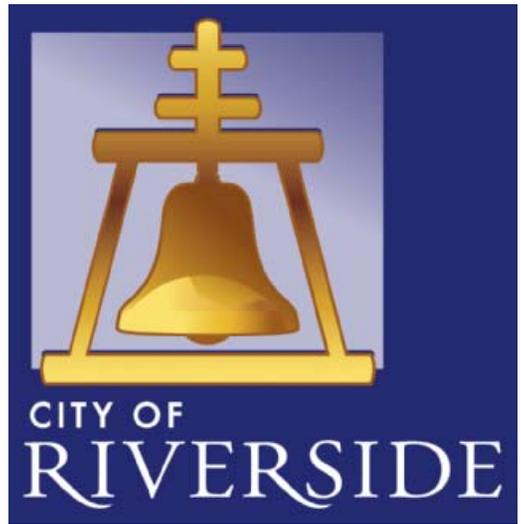
<u>Project Area</u>	<u>Time limitations to incur debt</u>	<u>Bonded Debt Limit (in millions)</u>
Downtown/Airport	2014-2027	\$171
Casa Blanca	2014	80
University Corridor/Sycamore Canyon	2020-2028	319
Arlington	2014-2023	125
Magnolia Center	2018	55
Hunter Park/Northside	2023	115
La Sierra/Arlanza	2024	235

The Agency does not have an overall credit rating. Bond issues are rated individually at time of issuance.

Additional information on outstanding debt may be found on pages 25-29 of this report.

Request for information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Redevelopment Agency Treasurer, 3900 Main Street, Riverside, CA 92522.



CITY OF
RIVERSIDE

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
STATEMENT OF NET ASSETS
June 30, 2010
(amounts expressed in thousands)

<u>Assets:</u>	
Cash and investments	\$58,164
Cash and investments at fiscal agent	80,669
Receivables (net of allowances for uncollectibles)	2,129
Loans receivable	17,100
Capital lease receivable	24,220
Prepaid items	1
Deposits	4,214
Deferred charges	5,309
Land and improvements held for resale	93,002
Capital assets (net of accumulated depreciation)	1,625
Total assets	<u>286,433</u>
<u>Liabilities:</u>	
Accounts payable and other accrued liabilities	14,609
Accrued interest payable	5,418
Deposits	26
Noncurrent liabilities:	
Due within one year	8,295
Due in more than one year	307,006
Total liabilities	<u>335,354</u>
<u>Net assets (deficit):</u>	
Invested in capital assets	1,625
Restricted for:	
Low and moderate housing	30,298
Eastside	646
Unrestricted	(81,490)
Total net assets (deficit)	<u>(\$48,921)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
 STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
 For the year ended June 30, 2010
 (amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Assets Total
Governmental activities:				
Redevelopment activities	\$83,249	\$2,589	\$1,841	(\$78,819)
Interest on long-term debt	15,039			(15,039)
Total governmental activities	<u>\$98,288</u>	<u>\$2,589</u>	<u>\$1,841</u>	<u>(\$93,858)</u>
General revenues:				
				57,956
				2,999
				3,700
				<u>64,655</u>
				(29,203)
				<u>(19,718)</u>
				<u>(\$48,921)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010
(amounts expressed in thousands)

Assets	Debt Service			Capital Projects Funds					Total Funds	Total Funds
	Downtown/ Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Hunter Park/ Northside	Downtown/ Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Other Funds		
Cash and investments	\$ 4,390	\$ 1,915	\$ 1,765	\$ 4,388	\$ 11,228	\$ 4,113	\$ 5,935	\$ 24,430	\$ 58,164	
Cash and investments at fiscal agent	3,716	2,337	-	11,634	4,652	1,915	23,837	32,578	80,669	
Interest receivable	47	23	20	-	43	31	25	172	361	
Accounts receivable, net	-	114	-	6	-	2	-	-	122	
Intergovernmental receivables	-	-	-	45	-	1,601	-	-	1,646	
Loans receivable	-	-	-	25	1,396	2,901	-	12,778	17,100	
Capital lease receivable	24,220	-	-	-	-	-	-	-	24,220	
Prepaid items	-	-	-	-	1	-	-	-	1	
Deposits	-	-	-	220	540	375	3,079	-	4,214	
Due from other funds	-	-	-	1	-	-	-	2	3	
Advances to other funds	-	-	-	-	-	-	-	17,062	17,062	
Land and improvements held for resale	-	-	-	3,384	29,590	18,622	14,936	26,470	93,002	
Total assets	\$ 32,373	\$ 4,389	\$ 1,785	\$ 19,703	\$ 47,450	\$ 29,560	\$ 47,812	\$ 113,492	\$ 296,564	
Liabilities and fund balances										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 1,795	\$ 4,399	\$ 2,206	\$ 3,345	\$ 2,863	\$ 14,608	
Deferred revenues	24,220	-	-	25	465	2,845	-	12,577	40,132	
Deposits	-	-	-	-	-	-	-	26	26	
Due to other funds	-	-	-	-	-	-	-	3	3	
Advances from other funds	-	-	-	1,913	-	3,379	10,241	1,529	17,062	
Total liabilities	24,220	-	-	3,733	4,864	8,430	13,586	16,998	71,831	
Fund balances:										
Reserved for encumbrances	-	-	-	303	275	402	2,573	2,922	6,475	
Reserved for loans receivable	-	-	-	-	-	56	-	201	257	
Reserved for prepaid items/deposit	-	-	-	220	541	375	3,079	-	4,215	
Reserved for advances to other funds	-	-	-	-	-	-	-	17,062	17,062	
Reserved for land and improvements held for resale	-	-	-	3,384	29,590	18,622	14,936	26,470	93,002	
Reserved for debt service	3,427	2,246	-	-	-	-	-	1,361	7,034	
Unreserved, designated for future operations	-	-	-	8,561	5,386	1,675	13,638	33,767	63,027	
Unreserved, undesignated	4,726	2,143	1,785	3,502	6,794	-	-	14,711	33,661	
Total fund balances	8,153	4,389	1,785	15,970	42,586	21,130	34,226	96,494	224,733	
Total liabilities and fund balances	\$ 32,373	\$ 4,389	\$ 1,785	\$ 19,703	\$ 47,450	\$ 29,560	\$ 47,812	\$ 113,492	\$ 296,564	

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010
(amounts expressed in thousands)

Total fund balances - governmental funds		\$224,733
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,625
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		5,309
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		40,132
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	(\$278,867)	
Interest Payable	(5,418)	
Commercial Loans Payable	(1,100)	
Notes Payable	(8,191)	
Advances Payable from City	(26,960)	
Compensated Absences	(184)	<u>(320,720)</u>
Net assets (deficit) of governmental activities		<u><u>(\$48,921)</u></u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010
(amount expressed in thousands)

	Debt Service				Capital Projects Funds				Totals
	Downtown Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Hunter Park/ Northside	Downtown Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Other Funds	
Revenues:									
Tax increment	\$ 12,860	\$ 10,871	\$ 8,767	\$ -	\$ -	\$ -	\$ -	\$ 25,458	\$ 57,956
Interest	313	133	-	361	236	193	599	1,164	2,999
Intergovernmental	200	-	-	1,120	201	190	-	130	1,841
Miscellaneous	1,990	174	-	69	473	4,323	17	365	7,411
Total revenues	<u>15,363</u>	<u>11,178</u>	<u>8,767</u>	<u>1,550</u>	<u>910</u>	<u>4,706</u>	<u>616</u>	<u>27,117</u>	<u>70,207</u>
Expenditures:									
Current:									
Salaries and administrative	120	495	105	1,260	927	1,249	2,986	3,758	10,900
Professional services	12	10	5	501	429	94	127	552	1,730
Property acquisitions	-	-	-	-	-	-	1,553	1,752	3,305
Relocation costs	-	-	-	-	137	2	632	36	807
Site clearance costs	-	-	-	-	60	17	163	3	243
Project improvement	-	-	-	8,817	2,125	1,680	9,861	10,277	32,760
Pass-through agreement	-	-	-	3,020	5,191	8,116	12,248	3,403	31,978
Debt service:									
Principal	3,380	1,162	740	-	-	-	-	2,230	7,512
Interest	5,102	2,708	2,331	-	-	-	-	5,043	15,184
Total expenditures	<u>8,614</u>	<u>4,375</u>	<u>3,181</u>	<u>13,598</u>	<u>8,869</u>	<u>11,158</u>	<u>27,570</u>	<u>27,054</u>	<u>104,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,749</u>	<u>6,803</u>	<u>5,586</u>	<u>(12,048)</u>	<u>(7,959)</u>	<u>(6,452)</u>	<u>(26,954)</u>	<u>63</u>	<u>(34,212)</u>
Other financing sources (uses):									
Transfers in	1,436	892	-	2,942	9,787	8,017	5,801	5,610	34,485
Transfers out	(9,787)	(8,017)	(5,801)	-	-	(1)	-	(10,879)	(34,485)
Transfers to Housing Authority	-	-	-	-	-	-	-	(1,522)	(1,522)
Advances from the City	-	-	-	-	5,740	-	-	-	5,740
Issuance of long-term debt	-	-	-	-	-	-	-	1,100	1,100
Gain (loss) on sale of assets held for resale	-	-	-	-	246	-	-	(605)	(359)
Total other financing sources (uses)	<u>(8,351)</u>	<u>(7,125)</u>	<u>(5,801)</u>	<u>2,942</u>	<u>15,773</u>	<u>8,016</u>	<u>5,801</u>	<u>(6,296)</u>	<u>4,959</u>
Net change in fund balances	(1,602)	(322)	(215)	(9,106)	7,814	1,564	(21,153)	(6,233)	(29,253)
Fund balances - beginning	9,755	4,711	2,000	25,076	34,772	19,566	55,379	102,727	253,986
Fund balances - ending	<u>\$ 8,153</u>	<u>\$ 4,389</u>	<u>\$ 1,785</u>	<u>\$ 15,970</u>	<u>\$ 42,586</u>	<u>\$ 21,130</u>	<u>\$ 34,226</u>	<u>\$ 96,494</u>	<u>\$ 224,733</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
(amounts expressed in thousands)

Net change in fund balances-total governmental funds (\$29,253)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:

Capital Outlay	\$ -	
Depreciation Expense	(47)	(47)

Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not recorded as revenue in the funds. (763)

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal payments	\$ 7,512	
Amortization of deferred charges	(214)	
Compensated absences	43	
Premiums on the issuance of LTD	251	
Interest	108	
Advances from the City	(5,740)	
Proceeds from commercial loan	(1,100)	860

Change in net assets of governmental activities (\$29,203)

The notes to the financial statements are an integral part of this statement.

(amounts expressed in thousands)

Note 1. Summary of Significant Accounting Policies

A. Nature of Operations

The Redevelopment Agency of the City of Riverside (Agency) rehabilitates blighted areas within eight active project areas located within the boundaries of the City of Riverside (City). The members of the City Council serve as the governing board of the Agency (Board). The Agency actively participates in projects of a public nature that encourage the development or rehabilitation of private and public development projects. Additionally, the Agency is actively involved in City-wide historic preservation and initiated a program in early 1990 designed to preserve, through redevelopment activities along with special State and Federal incentives, the integrity of historic civic, commercial and residential structures and neighborhoods. The Agency plans to use the special features that give the City its unique character as a catalyst for new development, tourism and economic revitalization.

B. Reporting Entity

The Agency was created in 1969, in accordance with the Community Redevelopment Law of California and the State of California Health and Safety Code, and is a legal entity, separate and distinct from the City of Riverside.

The Agency is a "component unit" of the City of Riverside for financial reporting purposes because it meets the criteria established by the Codification of Governmental Accounting and Financial Reporting Standards: City Council members act as the Agency Board; the City has the ability to impose its will on the

Agency; and the Agency has the potential to provide specific benefits to or impose specific financial burdens on the City.

Actions of the Agency are binding, and business, including the incurrence of long-term obligations, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in general economic revitalization and redevelopment of the City through acquisition and development of property in City areas determined to be in a declining condition.

In fiscal year 1988, the Riverside Public Financing Authority (Authority), a non-profit corporation, was created as a joint-powers authority between the Agency and the City to serve as a conduit for the issuance of bonds to fund improvements in various redevelopment project areas. The Authority has issued tax allocation bonds secured by loan agreements between the Agency and the Authority. These loan agreements are secured by a first pledge of and lien on a portion of property tax revenues within the respective project areas. Financial data of the Authority is included in the appropriate fund types of the Agency. Separate Authority financial statements may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California 92522.

The Agency has received/advanced monies from/to the City of Riverside for use on redevelopment projects. Agreements between the Agency and the City provide for the Agency to repay the advances from future tax increment revenues, subordinated to the Agency's bonded debt. Included in the statement of net assets at June 30, 2010, are advances from the City, totaling \$26,959.

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NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

C. Government-wide and Fund Financial Statements

The Agency-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Agency. All significant interfund activity has been removed from these statements. The Agency provides only governmental activities, which are supported by taxes and intergovernmental revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Agency reports the following major governmental funds:

Debt service funds for the Downtown/Airport, University Corridor/Sycamore Canyon and La Sierra/Arlanza are reported as major funds. The debt service funds account for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Agency.

Capital Projects funds for the Hunter Park/Northside, Downtown/Airport, University Corridor/Sycamore Canyon, and La Sierra/Arlanza are reported as major funds. The capital project funds account for the resources accumulated and payments made for projects of the Agency.

Program revenues consist of charges for services and capital grants and contributions.

E. Cash and Investments

In accordance with Agency policy, the Agency's cash and investments, except for cash and investments with fiscal agents, are invested in a pool managed by the Treasurer of the City. The Agency does not own specific, identifiable investments of the pool. The pooled interest earned is allocated monthly based on the month end cash balances.

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for

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Certain Investments and External Investment Pools (GASB 31),” which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using quoted market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings.

Citywide information concerning cash and investments for the year ended June 30, 2010, including authorized investments, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments may be found in the notes of the City’s “Comprehensive Annual Financial Report.”

F. Cash and Investments at Fiscal Agents

Cash and investments maintained by fiscal agents are considered restricted by the Agency and are pledged as collateral for payment of principal and interest on bonds.

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U. S. Government and its sponsored agencies
- Bankers’ Acceptances rated in the single highest classification
- Commercial Paper rated in the single highest classification

Investments in money market funds rated in the single highest classification
Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody’s and S&P
Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Investments held by fiscal agent are as follows:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Money Market Funds	\$1,408	\$ -	\$ -	\$ -
Federal Agency Securities	7,654	2,678	2,742	30
State Investment Pool	56,285	-	-	-
Commercial Paper	12,610	-	-	-
Certificates of Deposit	<u>2,712</u>	<u>-</u>	<u>2,712</u>	<u>-</u>
Total	<u>\$80,669</u>	<u>\$72,981</u>	<u>\$2,742</u>	<u>\$ 30</u>

All investments held by fiscal agent, with the exception of the certificates of deposit that are A rated, are held in AAA investments, except for investment contracts and the State Investment Pool which are not rated.

G. Capital Assets

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial individual cost of five thousand dollars or more and an estimated useful life of over one year. Assets are capitalized at historical cost or, in the case of gifts or

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contributions, at fair value at the time of receipt by the Agency. Assets are depreciated based on their estimated useful lives: buildings and improvements, 20-99 years and machinery and equipment, 3-15 years.

H. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements (DDAs) in the normal course of redevelopment activity. The DDAs provide for transfer of the property to developers after certain redevelopment obligations have been fulfilled. The property is carried at cost until an event occurs to indicate a lower net realizable value.

I. Compensated Absences

The Agency's employees receive ten to twenty-three vacation days a year based upon length of service. A maximum of two years' vacation accrual can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, a percentage of unused sick leave is paid to certain employees or their estates in lump sum based on longevity.

Compensated absences of \$184 have been recorded in the statement of net assets.

J. Long-Term Obligations

In the Agency-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures of the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

K. Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management for the future use of financial resources.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either

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through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

M. Interfund Transactions

Interfund transactions at the fund level representing services provided are accounted for as revenues and expenditures. Transactions which constitute reimbursements are eliminated in the reimbursed fund and accounted for as expenditures in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans are reported as advances from/to other funds and are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Advances received from the City are for capital purposes and have been treated as an external borrowing in the fund financial statements. Advances the Agency has made to the City include accrued interest which has been offset by deferred revenue.

N. Unearned Revenues

Governmental funds report unearned revenue on their balance sheets. Unearned revenues arise in governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Agency

before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

O. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are levied on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year, the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes received represent current and prior years' delinquent tax levies, adjusted for uncollectable amounts.

P. Tax Increment Revenues

Incremental property taxes are considered as revenue by the Agency when they become measurable and available for financing redevelopment activities during the year.

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Incremental property tax revenues represent property taxes collected from the taxes levied and collected each year on a redevelopment project in excess of the amount that would have been levied and collected on the base year property tax assessment. (A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.)

Capital Projects Funds:	
Casa Blanca	152
Downtown/Airport	1,396
Hunter Park/Northside	25
University Corridor/Sycamore Canyon	2,901
	<u>4,474</u>
Total	\$17,100

Q. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures. Specifically, the Agency has made certain estimates and assumptions relating to the collectibility of its receivables and the valuation of property held for resale. Actual results may differ from those estimates and assumptions.

Note 2: Loans Receivable and Capital Lease Receivable

As of June 30, 2010, loans receivable by project area are as follows:

Special Revenue Funds:	
Arlington	\$ 925
Casa Blanca	1,875
Magnolia Center	3,969
Downtown/Airport	2,150
University Corridor/Sycamore Canyon	3,678
Rehabilitation	<u>29</u>
	12,626

Rehabilitation Loans Receivable

Loans receivable consist of \$16,169 of rehabilitation loans. The Agency grants loans of up to 55 years bearing interest from 0 to 12 percent secured by deeds of trust to individuals and businesses to assist in the redevelopment of the City.

The Agency's Governing Board must approve all loans. At the time such loans are approved, a commitment is established for the total loan amount. Portions of the loans are disbursed as construction and other rehabilitation costs are incurred.

Hyatt Loan Receivable

The Agency entered into a developer loan agreement for the construction of the Hyatt Place Hotel. As of June 30, 2010, \$931 has been disbursed to the developer.

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Capital Lease Receivable

The Agency has a Capital Lease Agreement with the State of California for the California Tower Office Complex, located in the Downtown/Airport Project Area. The Agreement is for a thirty year period and at maturity the ownership of California Tower will be transferred to the State. The terms of the Agreement require annual installments from \$95 to \$2,730 through October 1, 2024.

The minimum future annual installments to be received are as follows:

2011	\$2,381
2012	2,413
2013	2,443
2014	2,473
2015	2,507
Thereafter	26,760
Total Capital Lease Receivable	38,977
Less: Interest	(14,757)
Net Capital Lease Receivable	<u>\$24,220</u>

Note 3. Land and Improvements Held for Resale

A summary of the estimated net realizable value of land and improvements held for resale by project area as of June 30, 2010, are as follows:

Special Revenue Funds:	
Downtown Airport	\$7,442
University Corridor/Sycamore Canyon	136
La Sierra/Arlanza	1,682
	<u>9,260</u>
Capital Projects:	
Arlington	4,681
Casa Blanca	1,221
Hunter Park/Northside	3,384
Magnolia Center	11,308
Downtown/Airport	29,590
University Corridor/Sycamore Canyon	18,622
La Sierra/Arlanza	14,936
	<u>83,742</u>
Total	<u>\$93,002</u>

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Note 4. Interfund Transfers and Advances

Transfers are made between funds for debt service payments on housing bonds, to pay pass-through agreements and to transfer revenues in excess of debt service requirements to capital project funds. A summary of transfers between Redevelopment Agency funds at June 30, 2010, are as follows:

Major Funds	Transfers in	Transfers out	Amount
Downtown/Airport	Capital Projects	Debt Service	\$9,787
Downtown/Airport	Debt Service	Special Revenue	1,436
Downtown/Airport	Special Revenue	Special Revenue	200
La Sierra/Arlanza	Capital Projects	Debt Service	5,801
University Corr/Syc Cyn	Debt Service	Special Revenue	891
University Corr/Syc Cyn	Capital Projects	Debt Service	8,017
Hunter Park/Northside	Capital Projects	Debt Service	2,942
Non Major Funds	Debt Service	Special Revenue	850
Non Major Funds	Capital Projects	Debt Service	4,561
		Total	<u>\$34,485</u>

In May 2010 the Special Revenue Funds advanced \$17,062 to the Capital Projects Funds to provide funds for payment to the Supplemental Education Revenue Augmentation Fund ("SERAF") as required by Assembly Bill 26.

Note 5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2010:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, non-depreciable				
Land	\$1,289	\$0	\$0	\$1,289
Construction in progress	0	0	0	0
Total non-depreciable assets	<u>1,289</u>	<u>0</u>	<u>0</u>	<u>1,289</u>
Capital assets, depreciable				
Buildings	0	0	0	0
Improvements	370	0	0	370
Equipment	<u>269</u>	<u>0</u>	<u>7</u>	<u>262</u>
Total depreciable assets	<u>639</u>	<u>0</u>	<u>7</u>	<u>632</u>
Less accumulated depreciation:				
Buildings	0	0	0	0
Improvements	149	18	0	167
Equipment	<u>107</u>	<u>29</u>	<u>7</u>	<u>129</u>
Total accumulated depreciation	<u>256</u>	<u>47</u>	<u>7</u>	<u>296</u>
Capital Assets, Net	<u>\$1,672</u>	<u>\$47</u>	<u>\$0</u>	<u>\$1,625</u>

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Note 6. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations during the fiscal year:

	Balance, Beginning Of Year	Additions	Reductions	Balance, End Of Year	Due within One Year
Notes Payable	\$8,749	\$0	\$558	\$8,191	\$628
Tax Allocation Bonds	257,541	0	5,735	251,806	5,755
Revenue Bonds	1,265	0	150	1,115	160
Lease Revenue Bonds	26,937	0	991	25,946	1,010
Commercial Loan	0	1,100	0	1,100	0
Compensated Absences	<u>227</u>	<u>0</u>	<u>43</u>	<u>184</u>	<u>35</u>
Sub-total	294,719	1,100	7,477	288,342	7,588
Advances from the City	<u>21,549</u>	<u>5,740</u>	<u>330</u>	<u>26,959</u>	<u>707</u>
Total	<u>\$316,268</u>	<u>\$6,840</u>	<u>\$7,807</u>	<u>\$315,301</u>	<u>\$8,295</u>

Commercial Loan

The Agency has a \$20,000 commercial loan with City National Bank which is being used to purchase, rehabilitate, and resell foreclosed homes. As of June 30, 2010, the Agency had borrowed \$1,100 and had \$18,900 available for future borrowing. The interest rate is based on "prime" less 75 points, which was 2.5% as of June 30, 2010. Interest is paid monthly.

Total Commercial Loan **\$ 1,100**

Notes Payable

The following notes payable were issued to promote development and expansion of areas within the project areas. The Agency has the following notes payable at June 30, 2010:

	Principal Outstanding
The Agency entered into an Agreement with the City of Riverside to make payments on a HUD Section 108 Loan used to fund the University Village Project, interest at 5.36% to 7.66%. The note is payable in annual principal and interest installments of \$272 to \$425 through August 1, 2015.	\$2,010
The Agency entered into an Agreement with the City of Riverside to make payments on a HUD Section 108 loan used to fund the Mission Village Project, interest at 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of \$110 to \$420 through August 1, 2018.	2,945
Note payable to Pepsi Cola Bottling Company of Los Angeles, interest at 10.5%. Once a certificate of completion is issued, the note is payable in net annual installments of principal and interest of \$341 through June, 2026. The certificate of completion cannot be issued until Pepsi has reached a \$26 million investment requirement.	2,987

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Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	<u>Principal Outstanding</u>	<u>Principal Outstanding</u>			
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of \$88 through 2013, for housing projects.	<u>249</u>				
Total Notes Payable	<u>\$ 8,191</u>				
The following is a schedule of annual notes payable requirements to maturity as of June 30, 2010:					
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2011	\$629	\$577	\$1,206		
2012	674	546	1,220		
2013	725	512	1,237		
2014	688	475	1,163		
2015	746	436	1,182		
2016-2020	2,201	1,643	3,844		
2021-2022	471	1,238	1,709		
2026-2030	777	932	1,709		
2031-2034	1,280	430	1,710		
Total	<u>\$8,191</u>	<u>\$6,789</u>	<u>\$14,980</u>		
				<u>Tax Allocation Bonds</u>	
				\$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; \$6,205 serial bonds, 3.4% to 4.7% due in annual installments from \$40 to \$570 through August 1, 2014; \$4,810 term bonds at 4.75% due August 1, 2021; and \$6,010 term bonds at 5.0% due August 1, 2027	\$13,430
				\$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, series B; \$1,900 serial bonds, 4.5% to 5.5% due in annual installments from \$35 to \$190 through September 1, 2013; \$1,135 term bonds at 5.5% due September 1, 2018; and \$3,020 term bonds at 5.625% due September 1, 2027	4,870
				\$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; \$8,925 serial bonds, 3.4% to 4.7% due in annual installments from \$455 to \$780 through August 1, 2014; \$2,565 term bonds at 4.75% due August 1, 2017; \$4,035 term bonds at 4.75% due August 1, 2021; and \$4,870 term bonds at 5.0% due August 1, 2025.	15,050

Bonds Payable

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing facilities or infrastructure projects. Bonds Payable at June 30, 2010, consisted of the following:

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	<u>Principal Outstanding</u>		<u>Principal Outstanding</u>
\$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds: \$32,720 serial bonds 2% to 5.25% due in annual installments from \$1,220 to \$1,955 through August 1, 2023; and \$7,715 term bonds at 5.0% due in annual installments from \$195 to \$2,060 through August 2034.	32,685	\$7,310 Casa Blanca Redevelopment Project, 2007 Tax Allocation Bonds, Series A: \$2,485 serial bonds, 4.0% to 4.25% due in annual installments from \$380 to \$555 through August 1, 2025; \$4,825 term bonds at 4.50% due August 1, 2029.	7,310
\$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A: \$420 term bonds at 3.8% due August 1, 2014; \$615 term bonds at 4.6% due August 1, 2024; and \$3,515 term bonds at 4.7% due August 1, 2034.	4,350	\$5,740 Casa Blanca Redevelopment Project Tax 2007 Allocation Bonds, Series B: \$3,140 term bonds at 5.19% due August 1, 2017; \$2,600 term bonds at 5.82% due August 1, 2027	5,175
\$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series B: 5.5% due in annual installments from \$85 to \$235 through August 1, 2024.	2,500	\$1,030 Downtown/Airport Redevelopment Project, 2007 Tax Allocation Bonds, Series A: \$465 serial bonds, 4.0% to 4.25% due in annual installments from \$20 to \$35 through August 1, 2025; \$155 term bonds at 4.50% due August 1, 2029; \$410 term bonds at 4.375% due August 1, 2037.	990
\$24,115 Housing Set-Aside Tax Allocation Bonds; \$17,025 serial bonds 3.0% to 4.625% due in annual installments from \$505 to \$1,215 through August 1, 2025; \$2,425 term bonds at 5.0% due August 1, 2028; and \$4,665 term bonds at 4.85% due August 1, 2034.	21,215	\$9,110 Downtown/Airport Redevelopment Project Tax 2007 Allocation Bonds, Series B: \$910 term bonds at 5.19% due August 1, 2017; \$8,200 term bonds at 5.82% due August 1, 2028.	9,010
		\$11,910 Arlington Redevelopment Project 2007 Tax Allocation Bonds, Series C; \$630 term bonds at 5.0%; \$3,415 term bonds at 4.5% August 1, 2030; \$7,865 term bonds at 5.0% due August 1, 2037.	11,910

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	<u>Principal Outstanding</u>		<u>Principal Outstanding</u>
\$7,140 Arlington Redevelopment Project 2007 Tax Allocation Bonds, Series D; \$3,215 term bonds at 5.24% due August 1, 2017; \$3,925 term bonds at 5.89% due August 1, 2026.	6,630	\$5,070 Magnolia Center Redevelopment Project 2007 Tax Allocation Bonds, Series C; \$70 serial bonds at 3.5% to 5.0% due in annual installment of \$5 through August 1, 2025; \$40 term bonds at 4.5% due August 1, 2030; \$4,960 term bonds at 5.0% due August 1, 2037.	5,060
\$23,500 Hunter Park/Northside Redevelopment Project 2007 Tax Allocation Bonds, Series C; \$9,660 serial bonds at 3.5% to 5.0% due in annual installments from \$385 to \$845 through August 1, 2025; \$4,845 term bonds at 4.5% due August 1, 2030; \$8,995 term bonds at 5.0% due August 1, 2037.	23,500	\$12,375 Magnolia Center Redevelopment Project 2007 Tax Allocation Bonds, Series D; \$3,075 term bonds at 5.24% due August 1, 2017; \$9,300 term bonds at 5.89% due August 1, 2032.	11,880
\$845 Hunter Park/Northside Redevelopment Project 2007 Tax Allocation Bonds, Series D; \$845 term bonds at 5.24% due August 1, 2010.	45	\$9,620 University Corridor/Sycamore Canyon Redevelopment Project 2007 Tax Allocation Bonds, Series C; \$1,080 serial bonds at 3.5% to 5.0% due in annual installment from \$45 to \$80 through August 1, 2025; \$170 term bonds at 4.5% due August 1, 2030; \$8,370 term bonds at 5.0% due August 1, 2036.	9,530
\$39,105 La Sierra/Arlanza Redevelopment Project 2007 Tax Allocation Bonds, Series C; \$12,035 term bonds at 5.0% August 1, 2025; \$9,485 term bonds at 4.5% due August 1, 2030; \$17,585 term bonds at 5.0% due August 1, 2037.	39,105	\$15,380 University Corridor/Sycamore Canyon Redevelopment Project 2007 Tax Allocation Bonds, Series D; \$470 term bonds at 5.24% due August 1, 2017; \$14,910 term bonds at 5.89% due August 1, 2032.	<u>15,350</u>
\$8,135 La Sierra/Arlanza Redevelopment Project 2007 Tax Allocation Bonds, Series D; \$8,135 term bonds at 5.24% due August 1, 2017.	6,690	Subtotal	246,285
		Unamortized bond premium	<u>5,521</u>
		Total	<u>\$251,806</u>

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	<u>Principal Outstanding</u>		<u>Principal Outstanding</u>
<u>Revenue Bonds</u>		\$4,810 2003 Downtown/Airport Project Area, California Tower Project Series B, Taxable Bonds: \$310 serial bonds 1.2% to 1.42% through October 1, 2004; \$620 term bonds at 3.090% due October 1, 2008; \$1,110 term bonds at 4.340% due October 1, 2014 and \$2,770 term bonds at 5.480% due October 1, 2024.	<u>3,715</u>
\$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas: \$1,470 serial bonds, 7.15% to 7.60%, due in annual installments from \$100 to \$145 through February 1, 2003; \$4,175 term bonds, 8.00%, due in annual installments from \$155 to \$450 through February 1, 2018 (portion not refunded).	\$ 145	Subtotal	25,260
		Unamortized Bond Premium	<u>686</u>
		Total	<u>\$25,946</u>
\$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (DRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of \$105 to \$180 through August 1, 2015	<u>970</u>	Total Bonds Payable	<u>\$278,867</u>
Total	<u>\$1,115</u>	Annual debt service requirements to maturity for Bonds Payable, as of June 30, 2010, are as follows:	

Lease Revenue Bonds

\$26,255 2003 Downtown/Airport Project Area, California Tower Project Series A, Tax Exempt Bonds: 2.0% to 5.0% due in annual installments from \$545 to \$2,230 through October 1, 2024. \$21,545

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$6,925	\$13,380	\$20,305
2012	7,235	13,072	20,307
2013	7,565	12,753	20,317
2014	7,920	12,411	20,331
2015	8,305	12,050	20,335
2016-2020	48,065	53,791	101,856
2021-2025	64,250	39,533	103,783
2026-2030	54,660	23,866	78,526
2031-2035	43,795	11,559	55,354
2036-2040	23,940	1,690	25,630
Premium	6,207	0	6,207
Total	<u>\$278,867</u>	<u>\$194,105</u>	<u>\$472,951</u>

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

The Redevelopment Agency has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The purpose, amount, and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in Note 6. For the current year, debt service payments as a percentage of the pledged net revenue are indicated in the table below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Pledged Revenue (Net)	Annual Debt Service Payments (all debt secured by revenue)	Debt Service Coverage Ratio for FYE 6/30/10
Tax Increment:			
Non-Housing	\$41,262	\$16,127	2.56
Housing	\$7,581	\$2,864	2.65

Advances from the City of Riverside

All advances from the City accrue interest at 3.46%; the rate earned by the City's pooled investments at June 30, 2010.

A schedule of the advances and related accrued but unpaid interest due to the City at June 30, 2010, follows:

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Downtown/Airport Project - \$728 advance of April 1, 2008, due April 1, 2013.	\$461	\$7	\$ 468
Downtown/Airport Project - \$5,000 advance of April 1, 2008, due April 1, 2028.	4,689	50	4,739
Downtown/Airport Project - \$5,400 advance of October 1, 2006, due October 1, 2011.	5,400	807	6,207
Downtown/Airport Project - \$4,800 advance of March 1, 2008, due March 1, 2011	4,800	651	5,451
Downtown/Airport Project – \$3,679 advance of May 1, 2008, due May 1, 2011	3,679	478	4,157
Downtown/Airport Project – \$4,280 advance of August 1, 2009, due May 1, 2015	<u>4,280</u>	<u>0</u>	<u>4,280</u>
Subtotal	<u>23,309</u>	<u>1,993</u>	<u>25,302</u>

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Multiple Projects - \$795 Pension Obligations advance of June 30, 2010, due June 1, 2020 from the following projects:			
Arlington	40	3	43
Casa Blanca	80	5	85
Magnolia Center	23	3	26
Hunter Park/Northside	6	1	7
University Corridor/Sycamore Canyon	185	12	197
Downtown/Airport	<u>345</u>	<u>23</u>	<u>368</u>
Subtotal	<u>679</u>	<u>47</u>	<u>726</u>
Downtown/Airport Project – Advance related to Hyatt Place Hotel.	<u>931</u>	<u>0</u>	<u>931</u>
Total Advances from City	<u>\$24,919</u>	<u>\$2,040</u>	<u>\$26,959</u>

Note 7. Risk Management Self Insurance Program

The Agency participates in a self-insurance program for Workers' Compensation and General Liability coverage, which is administered by the City. The Agency pays an amount to the City representing an estimate of amounts to be paid for reported claims and incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 2010, are dependent upon future developments, the Agency's management believes that amounts paid are sufficient to cover such losses. Premiums paid by the Agency for the year ended June 30, 2010, were \$72 and were allocated to the project areas. There were no claims settled during fiscal years 2009 and 2010 above the self-insured amounts.

Citywide information concerning risks, insurance policy limits and deductibles and designation of general fund balance for risks for the year ended June 30, 2010, may be found in the notes of the City's "Comprehensive Annual Financial Report."

Note 8. Employees' Retirement Plans

Agency employees are covered under the City's participation in the State of California's Public Employees Retirement System (CalPERS).

All permanent full-time and selected part-time Agency employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2.7% of their highest average annual salary for each year of service completed. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance. Employee contributions are 8% and are paid by the Agency. The Agency is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CalPERS actuaries and actuarial consultants and adopted by the Board of Administration.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2010

(amounts expressed in thousands)

Contributions made for Agency employees were \$509 for the year ended June 30, 2010.

Citywide information concerning elements of unfunded pension benefit obligation, contributions to CalPERS for the year ended June 30, 2010, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report".

Note 9. Commitments and Litigation

Commitments

The Agency is committed to incur construction, relocation and other redevelopment costs under various Developer Disposition Agreements (DDA's), Owner Participation Agreements (OPA's) and Financial Loan Guaranties related to the implementation of redevelopment plans. The Agency has included approximately \$26,231 in the Fiscal Year 2010/2011 Budget relating to these commitments.

Litigation

The Agency is a defendant in various claims and legal actions arising in the normal course of operations. Management, based in part on the opinion of the Agency's outside legal counsel, does not believe the ultimate liability from such actions and claims will have a material adverse effect on the Agency's financial position or operations.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010
(amounts expressed in thousands)

Assets	Special Revenue									
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	Downtown/ Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Rehabilitation	Totals
Cash and investments	\$ 401	\$ 268	\$ 103	\$ 174	\$ 1,373	\$ 125	\$ 5,075	\$ 4,862	\$ 392	\$ 12,773
Cash and investments at fiscal agent	-	-	-	-	-	197	-	-	-	197
Interest receivable	3	2	1	1	9	15	28	29	2	90
Loans receivable	925	1,875	-	3,969	-	2,150	3,678	-	29	12,626
Due from other funds	-	-	-	-	-	-	-	-	-	-
Advances to other funds	837	99	-	593	1,913	-	3,379	10,241	-	17,062
Land and improvements held for resale	-	-	-	-	-	7,442	136	1,682	-	9,260
Total assets	\$ 2,166	\$ 2,244	\$ 104	\$ 4,737	\$ 3,295	\$ 9,929	\$ 12,296	\$ 16,814	\$ 423	\$ 52,008
Liabilities and fund balances										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 1	\$ 25	\$ -	\$ 46
Deferred revenues	925	1,875	-	3,969	-	2,150	3,658	-	-	12,577
Deposits	-	-	-	-	-	16	10	-	-	26
Due to other funds	-	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-	-
Total liabilities	925	1,875	-	3,969	-	2,186	3,669	25	-	12,649
Fund balances:										
Reserved for encumbrances	-	4	-	5	14	2	7	243	-	275
Reserved for loans receivable	-	-	-	-	-	-	20	-	29	49
Reserved for advances to other funds	837	99	-	593	1,913	-	3,379	10,241	-	17,062
Reserved for land and improvements held for resale	-	-	-	-	-	7,442	136	1,682	-	9,260
Reserved for debt service	-	-	-	-	-	-	-	-	-	-
Unreserved, designated for future operations	-	38	-	-	-	272	4,312	3,943	-	8,565
Unreserved, undesignated	404	228	104	170	1,368	27	773	680	394	4,148
Total fund balances	1,241	369	104	768	3,295	7,743	8,627	16,789	423	39,359
Total liabilities and fund balances	\$ 2,166	\$ 2,244	\$ 104	\$ 4,737	\$ 3,295	\$ 9,929	\$ 12,296	\$ 16,814	\$ 423	\$ 52,008

(continued)

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010
(amounts expressed in thousands)

Assets	Debt Service					Capital Projects Funds					Total Nonmajor Funds	
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/Northside	Totals	Arlington	Casa Blanca	Eastside	Magnolia Center		Totals
Cash and investments	\$ 1,245	\$ 1,613	\$ 567	\$ 830	\$ 898	\$ 5,153	\$ 3,280	\$ 1,553	\$ 44	\$ 1,627	\$ 6,504	\$ 24,430
Cash and investments at fiscal agent	837	354	32	183	-	1,406	14,507	12,192	-	4,276	30,975	32,578
Interest receivable	11	7	3	6	10	37	15	15	-	15	45	172
Loans receivable	-	-	-	-	-	-	-	152	-	-	152	12,778
Due from other funds	-	-	-	-	-	-	2	-	-	-	2	2
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	17,062
Land and improvements held for resale	-	-	-	-	-	-	4,681	1,221	-	11,308	17,210	26,470
Total assets	\$ 2,093	\$ 1,974	\$ 602	\$ 1,019	\$ 908	\$ 6,596	\$ 22,485	\$ 15,133	\$ 44	\$ 17,226	\$ 54,888	\$ 113,492
Liabilities and fund balances												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ 623	\$ -	\$ 944	\$ 2,817	\$ 2,863
Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	12,577
Deposits	-	-	-	-	-	-	-	-	-	-	-	26
Due to other funds	2	-	-	-	1	3	-	-	-	-	-	3
Advances from other funds	-	-	-	-	-	-	837	99	-	593	1,529	1,529
Total liabilities	2	-	-	-	1	3	2,087	722	-	1,537	4,346	16,998
Fund balances:												
Reserved for encumbrances	-	-	-	-	-	-	2,369	97	-	220	2,686	2,961
Reserved for loans receivable	-	-	-	-	-	-	-	152	-	-	152	201
Reserved for advances to other funds	-	-	-	-	-	-	-	-	-	-	-	17,062
Reserved for land and improvements held for resale	-	-	-	-	-	-	4,681	1,221	-	11,308	17,210	26,470
Reserved for debt service	810	344	28	179	-	1,361	-	-	-	-	-	1,361
Unreserved, designated for future operations	-	-	-	-	-	-	10,712	10,808	-	3,720	25,240	33,805
Unreserved, undesignated	1,281	1,630	574	840	907	5,232	2,636	2,133	44	441	5,254	14,634
Total fund balances	2,091	1,974	602	1,019	907	6,593	20,398	14,411	44	15,689	50,542	96,494
Total liabilities and fund balances	\$ 2,093	\$ 1,974	\$ 602	\$ 1,019	\$ 908	\$ 6,596	\$ 22,485	\$ 15,133	\$ 44	\$ 17,226	\$ 54,888	\$ 113,492

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010
(amount expressed in thousands)

	Special Revenue									
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	Downtown/ Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Rehabilitation	Totals
Revenues:										
Tax increment	\$ 1,041	\$ 662	\$ 17	\$ 639	\$ 2,628	\$ 178	\$ 2,718	\$ 3,709	\$ -	\$ 11,592
Interest	25	28	4	17	72	62	137	182	-	527
Intergovernmental	-	-	-	-	-	130	-	-	-	130
Miscellaneous	-	6	19	1	-	196	12	1	-	235
Total revenues	<u>1,066</u>	<u>696</u>	<u>40</u>	<u>657</u>	<u>2,700</u>	<u>566</u>	<u>2,867</u>	<u>3,892</u>	<u>-</u>	<u>12,484</u>
Expenditures:										
Current:										
Salaries and administrative	141	157	-	84	482	45	322	730	-	1,961
Professional services	1	11	-	14	18	10	14	66	-	134
Property acquisitions	-	-	-	-	-	1	1	-	-	2
Relocation costs	-	-	-	-	-	-	6	-	-	6
Site clearance costs	-	-	-	-	-	-	-	-	-	-
Project improvement	-	-	-	-	-	710	92	458	-	1,260
Pass-through agreement	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>142</u>	<u>168</u>	<u>-</u>	<u>98</u>	<u>500</u>	<u>766</u>	<u>435</u>	<u>1,254</u>	<u>-</u>	<u>3,363</u>
Excess(deficiency) of revenues over(under) expenditures	<u>924</u>	<u>528</u>	<u>40</u>	<u>559</u>	<u>2,200</u>	<u>(200)</u>	<u>2,432</u>	<u>2,638</u>	<u>-</u>	<u>9,121</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	200	-	-	-	200
Transfers out	(285)	(403)	-	(162)	(200)	(1,436)	(891)	-	-	(3,377)
Transfers to Housing Authority	-	-	-	-	(46)	-	-	(1,476)	-	(1,522)
Issuance of long-term debt	-	-	-	-	-	-	-	1,100	-	1,100
Gain (loss) on sale of assets held for resale	-	-	-	-	-	(757)	-	152	-	(605)
Total other financing sources (uses)	<u>(285)</u>	<u>(403)</u>	<u>-</u>	<u>(162)</u>	<u>(246)</u>	<u>(1,993)</u>	<u>(891)</u>	<u>(224)</u>	<u>-</u>	<u>(4,204)</u>
Net change in fund balances	639	125	40	397	1,954	(2,193)	1,541	2,414	-	4,917
Fund balances - beginning	<u>602</u>	<u>244</u>	<u>64</u>	<u>371</u>	<u>1,341</u>	<u>9,936</u>	<u>7,086</u>	<u>14,375</u>	<u>423</u>	<u>34,442</u>
Fund balances - ending	<u>\$ 1,241</u>	<u>\$ 369</u>	<u>\$ 104</u>	<u>\$ 768</u>	<u>\$ 3,295</u>	<u>\$ 7,743</u>	<u>\$ 8,627</u>	<u>\$ 16,789</u>	<u>\$ 423</u>	<u>\$ 39,359</u>

(continued)

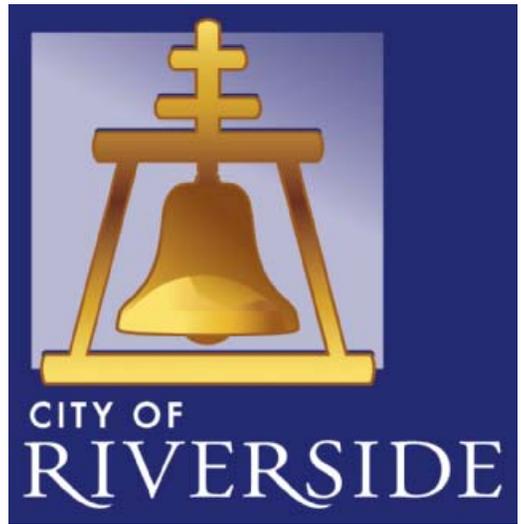
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (ACCUMULATED DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010
(amount expressed in thousands)

	Debt Service					Capital Projects Funds					Total Nonmajor Funds	
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	Totals	Arlington	Casa Blanca	Eastside	Magnolia Center		Totals
Revenues:												
Tax increment	\$ 4,163	\$ 2,649	\$ 67	\$ 2,543	\$ 4,444	\$ 13,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,458
Interest	22	18	17	3	-	60	282	121	1	173	577	1,164
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	130
Miscellaneous	-	-	-	-	-	-	106	-	-	24	130	365
Total revenues	4,185	2,667	84	2,546	4,444	13,926	388	121	1	197	707	27,117
Expenditures:												
Current:						-						
Salaries and administrative	47	31	1	30	65	174	622	620	-	381	1,623	3,758
Professional services	8	7	2	3	3	23	72	69	-	254	395	552
Property acquisitions	-	-	-	-	-	-	-	-	-	1,750	1,750	1,752
Relocation costs	-	-	-	-	-	-	-	-	-	30	30	36
Site clearance costs	-	-	-	-	-	-	-	-	-	3	3	3
Project improvement	-	-	-	-	-	-	3,548	4,515	-	954	9,017	10,277
Pass-through agreement	-	-	-	-	-	-	1,656	617	-	1,130	3,403	3,403
Debt service:												
Principal	532	941	16	331	410	2,230	-	-	-	-	-	2,230
Interest	1,476	1,357	13	1,043	1,154	5,043	-	-	-	-	-	5,043
Total expenditures	2,063	2,336	32	1,407	1,632	7,470	5,898	5,821	-	4,502	16,221	27,054
Excess(deficiency) of revenues over(under) expenditures	2,122	331	52	1,139	2,812	6,456	(5,510)	(5,700)	1	(4,305)	(15,514)	63
Other financing sources (uses):												
Transfers in	285	403	-	162	-	850	2,452	766	-	1,342	4,560	5,610
Transfers out	(2,452)	(766)	-	(1,342)	(2,942)	(7,502)	-	-	-	-	-	(10,879)
Transfers to Housing Authority	-	-	-	-	-	-	-	-	-	-	-	(1,522)
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-	1,100
Loss on sale of assets held for resale	-	-	-	-	-	-	-	-	-	-	-	(605)
Total other financing sources (uses)	(2,167)	(363)	-	(1,180)	(2,942)	(6,652)	2,452	766	-	1,342	4,560	(6,296)
Net change in fund balances	(45)	(32)	52	(41)	(130)	(196)	(3,058)	(4,934)	1	(2,963)	(10,954)	(6,233)
Fund balances - beginning	2,136	2,006	550	1,060	1,037	6,789	23,456	19,345	43	18,652	61,496	102,727
Fund balances - ending	\$ 2,091	\$ 1,974	\$ 602	\$ 1,019	\$ 907	\$ 6,593	\$ 20,398	\$ 14,411	\$ 44	\$ 15,689	\$ 50,542	\$ 96,494

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
CALCULATION OF EXCESS SURPLUS IN THE LOW AND MODERATE INCOME HOUSING FUND
June 30, 2010

(in thousands)

Fund Balance, June 30, 2010		\$39,359
Less Unavailable Amounts:		
Encumbrances	\$236	
Rehabilitation loans	49	
Land and improvements held for resale	9,260	
Advances to Other Funds	17,062	
Unspent debt proceeds	197	(26,804)
Available Low and Moderate Income Housing Funds		<u>12,555</u>
Limitation (greater of \$1,000 or four years set-aside)		
Set-aside for last four years		
2008-2009	13,094	
2007-2008	12,889	
2006-2007	9,961	
2005-2006	7,045	(42,989)
Excess(Deficit) of Available Low and Moderate Income Housing Funds Over(Under) Limitation		<u><u>(\$30,434)</u></u>
Computed Excess Surplus, June 30, 2010		<u><u>\$0</u></u>



CITY OF
RIVERSIDE



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Board of Directors
Redevelopment Agency of the City of Riverside
Riverside, 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, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Redevelopment Agency of the City of Riverside's basic financial statements, and have issued our report thereon dated October 18, 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.

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 included those provisions of laws and regulations identified in the *Guidelines for Comptroller 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 are required to be reported under *Government Auditing Standards*. However, we did note an immaterial instance of noncompliance where a parcel of land held for resale purchased with low and moderate income housing funds was held beyond five years.



Board of Directors
Redevelopment Agency of the City of Riverside
Page Two

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 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 solely for the information and use of the Finance Committee, Board of Directors and management and is not intended to be, and should not be, used by anyone other than those specified parties.

Mayer Hoffman Mc Cann P.C.

San Jose, California
October 18, 2010



City of Arts & Innovation