

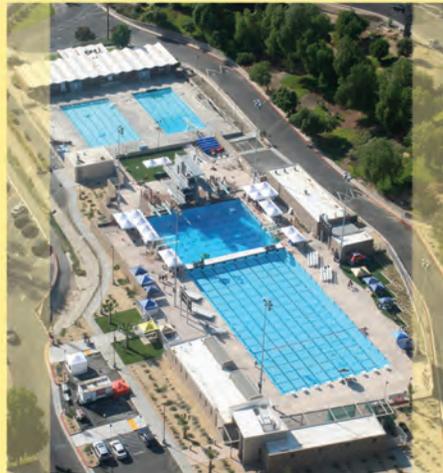
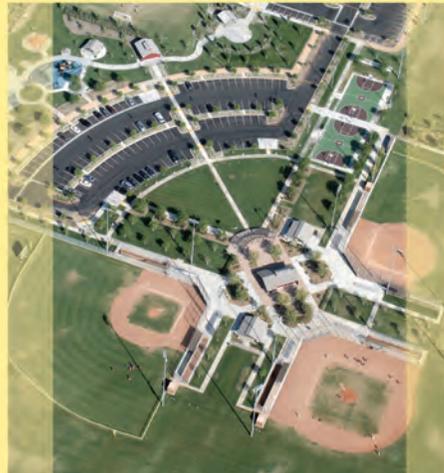
City of Arts & Innovation

Annual Financial Report

Year Ended June 30, 2011

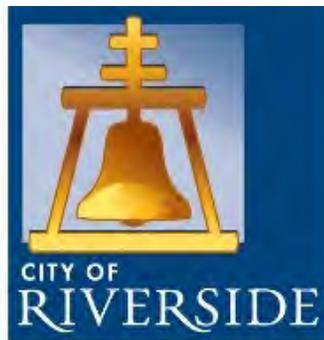


**Redevelopment Agency of
The City of Riverside, CA**



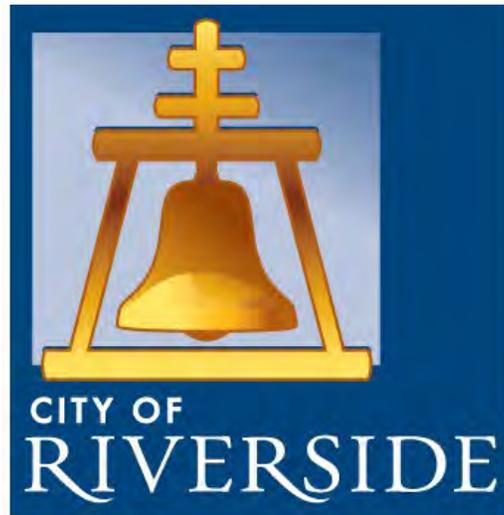
Annual Financial Report

For Fiscal Year Ended June 30, 2011



City of Arts & Innovation

Prepared by the Development Department
Scott C. Barber, Executive Director
3900 Main Street, 5th Floor
Riverside, California 92522



City of Arts & Innovation

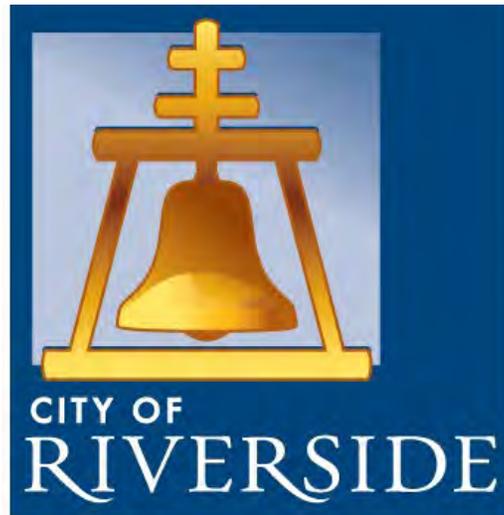
Table of Contents

Introductory Section

Agency Board and Officials.....	v
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Financial Section

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Notes to the Financial Statements.....	17
Supplementary Information:	
Combining Balance Sheet—Nonmajor Governmental Funds.....	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Accumulated Deficit)—Nonmajor Governmental Funds.....	37
Calculation of Excess Surplus in the Low and Moderate Income Housing Fund.....	39
<i>Report on compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards</i>	41



City of Arts & Innovation

Redevelopment Agency of the City of Riverside

Redevelopment Agency Board

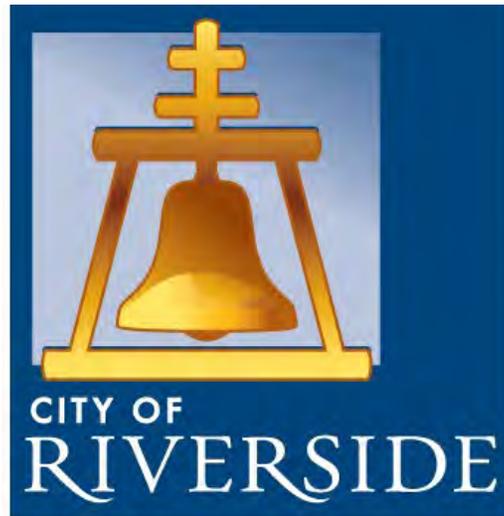
Ronald O. Loveridge
Mike Gardner
Andy Melendrez
Rusty Bailey
Paul Davis
Chris Mac Arthur
Nancy Hart
Steve Adams

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

Scott C. Barber
Colleen J. Nicol
Paul C. Sundeen
Gregory P. Priamos
Emilio Ramirez
Tina English
Vanessa Kirks

Executive Director
Agency Secretary
Agency Treasurer
Agency General Counsel
Development Director
Assistant Development Director
Development Fiscal Manager



City of Arts & Innovation

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Redevelopment Agency of the City of Riverside
3900 Main Street
Riverside, California

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 (“the Agency”), a blended component unit of the City of Riverside, California (“the City”), as of and for the 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 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, 2011, 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

The Management's Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but are 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 Agency'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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 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.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
October 14, 2011

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, 2011. 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 eighteen 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/Hunter Park/Northside, University Corridor/Sycamore Canyon and La Sierra/Arlanza Debt Service Funds; and Downtown/Airport/Hunter Park/Northside, University Corridor/Sycamore Canyon and La Sierra/Arlanza Capital Projects Funds, all of which are considered to be major funds. Data from the other twelve 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 17-33 of this report.

Other information. The combining statements for non-major governmental funds can be found pages 35-38 of this report. The calculation of the excess surplus for the Low/Moderate Income Housing Funds can be found on page 39 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 \$163,319 at June 30, 2011.

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, 2011 compared to June 30, 2010 is as follows:

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
Non-capital assets	\$206,565	\$284,808
Capital assets (net of accumulated depreciation)	<u>1,580</u>	<u>1,625</u>
Total assets	<u>208,145</u>	<u>286,433</u>
Long-term liabilities outstanding	330,555	307,006
Other liabilities	<u>40,909</u>	<u>28,348</u>
Total liabilities	<u>371,464</u>	<u>335,354</u>
Net assets:		
Invested in capital assets, net of related debt	1,580	1,625
Restricted	26,637	30,944
Unrestricted	<u>(191,536)</u>	<u>(81,490)</u>
Total net assets	<u><u>(\$163,319)</u></u>	<u><u>(\$48,921)</u></u>

- Non-capital assets decreased \$78,243 due primarily to the expenditure of bond proceeds for various capital projects and improvements.
- Long-term liabilities increased \$23,549 due to the issuance of City advances for Market Street, Second Street, Reid Park, and Riverside Golf Course acquisitions; and the issuance of the 2011 Tax Allocation Bonds for the following project areas: Downtown/Airport/Hunter Park/Northside, University Corridor/Sycamore Canyon, Magnolia Center and La Sierra/Arlanza.

Governmental activities. The Agency's net assets decreased by \$114,398. Key elements of this decrease are as follows:

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
Revenues:		
Program revenues:		
Charges for Services	\$2,129	\$2,589
Capital grants and contributions	289	1,841
General revenues:		
Property tax increment	55,813	57,956
Other	6,150	6,699
Total revenues	<u>64,381</u>	<u>69,085</u>
Expenses:		
Redevelopment activities	74,087	83,249
Interest on long-term debt	16,031	15,039
Net Transfers of Assets to City and Housing Authority	88,661	0
Total expenses	<u>178,779</u>	<u>98,288</u>
Increase(Decrease) in net assets	(114,398)	(29,203)
Net assets (deficit) – July 1	(48,921)	(19,718)
Net assets (deficit) – June 30	<u>(\$163,319)</u>	<u>(\$48,921)</u>

- Charges for Services decreased by \$460 due to a decrease in building leases revenue.
- Property tax increment revenues decreased \$2,143 during the year, due to the declining economy that resulted in the reduction of property value assessments.
- Other general revenues decreased by \$549 primarily due to decreased investment earnings.
- Redevelopment activities expenses decreased \$9,162 from the prior year; due to the fact, several projects were completed during the prior year. Examples of these projects are the Casa Blanca Street Improvements, Riverside Community College Aquatic Center, Lincoln Police Department improvements, Hunt Park and Reid Park Improvements, and the Bobby Bonds Youth Opportunity Center Improvements.
- The Agency entered into an agreement with the Housing Authority, on March 1, 2011, to administer affordable housing projects and programs.

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

	Fund Balance 2011	Fund Balance 2010
<u>Debt Service</u>		
Downtown/Airport/Hunter Park/Northside	\$10,204	\$8,153
University Corridor/Sycamore Canyon	5,103	4,389
La Sierra/Arlanza	1,957	1,785
 <u>Capital Projects</u>		
Downtown/Airport/Hunter Park/Northside	43,481	58,556
University Corridor/Sycamore Canyon	11,041	21,130
La Sierra/Arlanza	11,340	34,226

As of the end of the current fiscal year, the Agency’s governmental funds reported combined ending fund balances of \$145,782, a decrease of \$78,951 in comparison with the prior year. Of this total, \$122,675 is restricted for housing and redevelopment activities and \$23,106 is restricted for debt service. The decrease in the ending fund balance is primarily attributable to the transfer of land held for resale to the City that will serve as collateral for outstanding City advances owed by the Agency.

Capital Asset and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$1,580 (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 2011	Capital Assets 2010
Land	\$1289	\$1289
Buildings	0	0
Improvements other than buildings	370	370
Machinery and equipment	238	262
Construction in progress	0	0
Subtotal	1,897	1,921
Less accumulated depreciation	(317)	(296)
Total	\$1,580	\$1,625

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 \$305,195. The bonds are secured solely by specified revenue sources (i.e., tax allocation bonds).

The Agency's total long-term debt obligations increased by \$97,503 offset by retirements of \$60,040 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.

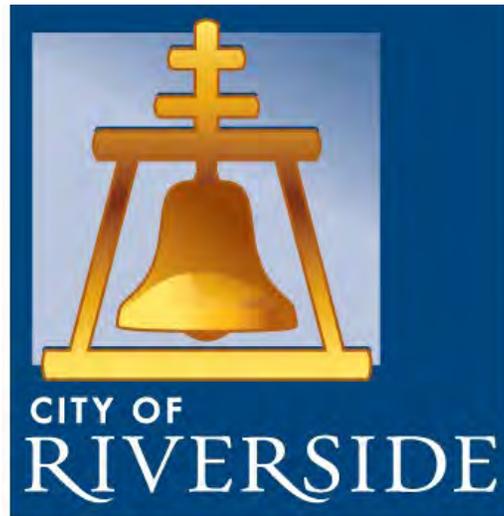
<u>Project Area</u>	<u>Time limitations to incur debt</u>	<u>Bonded Debt Limit (in millions)</u>
Downtown/Airport/Hunter Park/Northside	2014-2027	\$171
Casa Blanca	2014	80
University Corridor/Sycamore Canyon	2020-2028	319
Arlington	2014-2023	125
Magnolia Center	2018	55
La Sierra/Arlanza	2024	235

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 Arts & Innovation

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
STATEMENT OF NET ASSETS
June 30, 2011
(amounts expressed in thousands)

<u>Assets:</u>	
Cash and investments	\$92,379
Cash and investments at fiscal agent	53,252
Receivables (net of allowances for uncollectibles)	813
Loans receivable	26,791
Capital lease receivable	23,425
Prepaid items	1
Deposits	223
Deferred charges	5,448
Land and improvements held for resale	4,233
Capital assets (net of accumulated depreciation)	1,580
Total assets	<u>208,145</u>
<u>Liabilities:</u>	
Accounts payable and other accrued liabilities	12,729
Accrued interest payable	5,945
Deposits	26
Noncurrent liabilities:	
Due within one year	22,209
Due in more than one year	330,555
Total liabilities	<u>371,464</u>
<u>Net assets (deficit):</u>	
Invested in capital assets	1,580
Restricted for:	
Low and moderate housing	25,934
Eastside	703
Unrestricted	(191,536)
Total net assets (deficit)	<u><u>(\$163,319)</u></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, 2011
(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	\$74,087	\$2,129	\$289	(\$71,669)
Interest on long-term debt	16,031	0	0	(16,031)
Total governmental activities	<u>\$90,118</u>	<u>\$2,129</u>	<u>\$289</u>	<u>(\$87,700)</u>
General revenues:				
Property taxes				55,813
Investment earnings				2,292
Miscellaneous				3,858
Subtotal				<u>61,963</u>
Transfers to the City and Housing Authority				(91,595)
Transfers from the City and Housing Authority				<u>2,934</u>
Total general revenues and transfers				<u>(26,698)</u>
Change in net assets				(114,398)
Net assets (deficit) - beginning				<u>(48,921)</u>
Net assets (deficit) - ending				<u><u>(\$163,319)</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)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011
(amounts expressed in thousands)

	Debt Service			Capital Projects Funds			Other Funds	Total Funds
	Downtown/ Airport/ Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Downtown/ Airport/ Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza		
Assets								
Cash and investments	\$ 6,459	\$ 2,592	\$ 1,939	\$ 31,881	\$ 16,175	\$ 9,214	\$ 24,119	\$ 92,379
Cash and investments at fiscal agent	3,701	2,322	-	7,348	1,549	16,396	21,936	53,252
Interest receivable	44	18	18	81	62	34	184	441
Accounts receivable, net	-	171	-	188	8	1	3	371
Intergovernmental receivables	-	-	-	-	1	-	-	1
Loans receivable	-	-	-	7,900	2,893	-	15,998	26,791
Capital lease receivable	23,425	-	-	-	-	-	-	23,425
Prepaid items	-	-	-	1	-	-	-	1
Deposits	-	-	-	221	-	2	-	223
Advances to other funds	-	-	-	-	-	-	20,571	20,571
Land and improvements held for resale	-	-	-	4,233	-	-	-	4,233
Total assets	\$ 33,629	\$ 5,103	\$ 1,957	\$ 51,853	\$ 20,688	\$ 25,647	\$ 82,811	\$ 221,688
Liabilities and fund balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 4,877	\$ 2,706	\$ 2,980	\$ 2,166	\$ 12,729
Deferred revenues	23,425	-	-	490	2,842	-	15,823	42,580
Deposits	-	-	-	-	-	-	26	26
Advances from other funds	-	-	-	3,005	4,099	11,327	2,140	20,571
Total liabilities	23,425	-	-	8,372	9,647	14,307	20,155	75,906
Fund balances:								
Nonspendable:								
Inventories, prepaids and noncurrent receivables	-	-	-	1	-	-	-	1
Restricted for:								
Housing and redevelopment	-	-	-	43,480	11,041	11,340	56,814	122,675
Debt service	10,204	5,103	1,957	-	-	-	5,842	23,106
Total fund balances	10,204	5,103	1,957	43,481	11,041	11,340	62,656	145,782
Total liabilities and fund balances	\$ 33,629	\$ 5,103	\$ 1,957	\$ 51,853	\$ 20,688	\$ 25,647	\$ 82,811	\$ 221,688

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, 2011
(amounts expressed in thousands)

Total fund balances - governmental funds \$145,782

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. 1,580

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. 5,448

Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds. 42,580

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	(\$305,195)	
Interest Payable	(5,945)	
Commercial Loans Payable	(1,100)	
Notes Payable	(7,749)	
Advances Payable from City	(38,589)	
Compensated Absences	(131)	<u>(358,709)</u>

Net assets (deficit) of governmental activities (\$163,319)

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, 2011
(amount expressed in thousands)

	Debt Service			Capital Projects Funds			Other Funds	Totals
	Downtown/ Airport/ Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Downtown/ Airport/ Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza		
Revenues:								
Tax increment	\$ 15,999	\$ 10,237	\$ 9,500	\$ -	\$ -	\$ -	\$ 20,077	\$ 55,813
Interest	112	58	5	1,282	340	177	318	2,292
Intergovernmental	200	-	-	30	-	59	-	289
Miscellaneous	2,055	306	-	3,759	53	15	192	6,380
Total revenues	<u>18,366</u>	<u>10,601</u>	<u>9,505</u>	<u>5,071</u>	<u>393</u>	<u>251</u>	<u>20,587</u>	<u>64,774</u>
Expenditures:								
Current:								
Salaries and administrative	152	351	28	2,338	1,260	2,782	3,285	10,196
Professional services	18	10	5	711	185	184	874	1,987
Property acquisitions	-	-	-	9,004	-	4,513	199	13,716
Relocation costs	-	-	-	486	-	514	70	1,070
Site clearance costs	-	-	-	147	57	75	6	285
Project improvement	-	-	-	7,981	829	7,957	13,184	29,951
Pass-through agreements	-	-	-	6,988	6,069	3,332	1,953	18,342
Debt service:								
Principal	6,140	8,921	20,685	4,280	-	-	19,993	60,019
Interest	5,737	2,658	2,359	990	-	-	3,797	15,541
Total expenditures	<u>12,047</u>	<u>11,940</u>	<u>23,077</u>	<u>32,925</u>	<u>8,400</u>	<u>19,357</u>	<u>43,361</u>	<u>151,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,319</u>	<u>(1,339)</u>	<u>(13,572)</u>	<u>(27,854)</u>	<u>(8,007)</u>	<u>(19,106)</u>	<u>(22,774)</u>	<u>(86,333)</u>
Other financing sources (uses):								
Transfers in	1,434	8,593	15,341	8,761	6,540	1,597	13,705	55,971
Transfers out	(8,761)	(6,540)	(1,597)	-	(7,700)	(15,341)	(16,032)	(55,971)
Transfers to Housing Authority	-	-	-	(1,200)	-	-	(11,499)	(12,699)
Transfers from Housing Authority	-	-	-	1,200	-	-	1,474	2,674
Transfers to the City	-	-	-	(31,785)	(14,965)	(14,936)	(17,210)	(78,896)
Transfers from the City	152	-	-	-	-	-	108	260
Advances from the City	-	-	-	18,503	-	4,900	-	23,403
Issuance of long-term debt	-	-	-	17,300	17,700	20,000	19,100	74,100
Gain (loss) on sale of assets held for resale	2,000	-	-	-	(3,657)	-	197	(1,460)
Total other financing sources (uses)	<u>(5,175)</u>	<u>2,053</u>	<u>13,744</u>	<u>12,779</u>	<u>(2,082)</u>	<u>(3,780)</u>	<u>(10,157)</u>	<u>7,382</u>
Net change in fund balances	1,144	714	172	(15,075)	(10,089)	(22,886)	(32,931)	(78,951)
Fund balances - beginning, as restated (note 1Q)	9,060	4,389	1,785	58,556	21,130	34,226	95,587	224,733
Fund balances - ending	<u>\$ 10,204</u>	<u>\$ 5,103</u>	<u>\$ 1,957</u>	<u>\$ 43,481</u>	<u>\$ 11,041</u>	<u>\$ 11,340</u>	<u>\$ 62,656</u>	<u>\$ 145,782</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, 2011
(amounts expressed in thousands)

Net change in fund balances-total governmental funds (\$78,951)

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	(44)	(44)

Governmental funds report expenditures for rehabilitation loans that are offset with deferred revenue. However, this activity has no effect on net assets. 2,448

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	\$ 60,019	
Amortization of deferred charges	(162)	
Compensated absences	53	
Premiums on the issuance of LTD	269	
Interest	(527)	
Advances from the City	(23,403)	
Proceeds from issuance of long-term debt	(74,100)	(37,851)

Change in net assets of governmental activities (\$114,398)

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 the following six active project areas located within the boundaries of the City of Riverside (City):

- Arlington
- Casa Blanca
- Magnolia Center
- Downtown & Airport and Hunter Park & Northside
- University Corridor/ Sycamore Canyon
- La Sierra/ Arlanza

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. See footnote 10 regarding the impact of State Assembly Bills X1 26 and 27 on the agency.

B. Reporting Entity

The Agency was created in 1967, 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.

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, 2011

(amounts expressed in thousands)

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, 2011, are advances from the City, totaling \$38,589.

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/Hunter Park/Northside, 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 Downtown/Airport/Hunter Park/Northside, 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.

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, 2011

(amounts expressed in thousands)

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 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, 2011, 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 at year-end consist of:

Investments	\$50,540
Non-negotiable certificates of deposit	<u>2,712</u>
	\$53,252

Investments held by fiscal agent are as follows:

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	\$ 412	\$ -	\$ -	\$ -
Federal Agency Securities	4,308	1,256	-	701
State Investment Pool	41,760	-	-	-
Investment Contracts	1,568	1,568	-	-
Commercial Paper	<u>2,492</u>	<u>2,492</u>	-	-
Total	<u>\$50,540</u>	<u>\$ 3,919</u>	<u>\$ -</u>	<u>\$ 701</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, 2011

(amounts expressed in thousands)

All investments held by fiscal agent are held in AAA investments, except for investment contracts and the State Investment Pool which are not rated and commercial paper which is rated A-1+.

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 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. \$78,896 of land held for resale was transferred to the City of Riverside during the current year, which is held as security for advances owed to the City of Riverside.

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 \$131 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, fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans,

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, 2011

(amounts expressed in thousands)

notes receivable, and property held for resale, unless the proceeds are restricted, committed or assigned.

- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

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 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 appropriations.

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 external borrowings 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

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, 2011

(amounts expressed in thousands)

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 Incremental Revenues

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

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.)

Q. Merged Project Areas/ Restatement of Beginning Fund Balances

The special revenue, capital projects and debt service funds of the Hunter Park/Northside and Downtown/Airport project areas were merged in the current period. Beginning fund balances have been restated to reflect the merged project areas effective July 1, 2010.

R. 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.

S. Implementation of New GASB Pronouncement

The Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This new accounting standard enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Note 2: Loans Receivable and Capital Lease Receivable

As of June 30, 2011, loans receivable by project area are as follows:

Special Revenue Funds:	
Arlington	\$ 920
Casa Blanca	1,876
Magnolia Center	4,078
Downtown/Airport/Hunter Park/Northside	2,322
University Corridor/Sycamore Canyon	6,648
Rehabilitation	26
	<u>15,870</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, 2011

(amounts expressed in thousands)

Capital Projects Funds:	
Casa Blanca	128
Downtown/Airport/Hunter Park/Northside	7,900
University Corridor/Sycamore Canyon	2,893
	<u>10,921</u>
Total loans receivable	<u>\$26,791</u>

Rehabilitation Loans Receivable

Loans receivable consist of \$19,381 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, 2011, \$7,410 has been disbursed to the developer.

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/Hunter Park/Northside 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:

2012	\$ 2,413
2013	2,443
2014	2,473
2015	2,507
2016	2,533
Thereafter	<u>24,227</u>
Total Capital Lease Receivable	36,596
Less: Interest	<u>(13,171)</u>
Net Capital Lease Receivable	<u>\$23,425</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, 2011, are as follows:

Capital Projects:	
Downtown/Airport/Hunter Park/Northside	\$4,233
Total	<u>\$4,233</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, 2011

(amounts expressed in thousands)

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, 2011, are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Downtown/Airport/ Hunter Park/Northside	Debt Service	Special Revenue	\$1,434
Downtown/Airport Hunter Park/Northside	Capital Projects	Debt Service	8,761
University Corr/Syc Cyn	Debt Service	Capital Projects	7,700
University Corr/Syc Cyn	Debt Service	Special Revenue	893
La Sierra/Arlanza	Debt Service	Capital Projects	15,341
La Sierra/Arlanza	Capital Projects	Debt Service	1,597
University Corr/Syc Cyn	Capital Projects	Debt Service	6,540
Non Major Funds	Debt Service	Capital Projects	9,000
Non Major Funds	Debt Service	Special Revenue	850
Non Major Funds	Capital Projects	Debt Service	3,855
		Total	<u>\$55,971</u>

In May 2010 and May 2011, the Special Revenue Funds advanced \$17,062 and \$3,509, respectively, to the Capital Projects Funds to provide funds for payment to the California Supplemental Education Revenue Augmentation Fund ("SERAF") as required by State Legislation.

Note 5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/Transfers</u>	<u>Ending Balance</u>
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>262</u>	<u>0</u>	<u>24</u>	<u>238</u>
Total depreciable assets	<u>632</u>	<u>0</u>	<u>24</u>	<u>608</u>
Less accumulated depreciation:				
Buildings	0	0	0	0
Improvements	167	18	0	185
Equipment	<u>129</u>	<u>26</u>	<u>23</u>	<u>132</u>
Total accumulated depreciation	<u>296</u>	<u>44</u>	<u>23</u>	<u>317</u>
Capital Assets, Net	<u>\$1,625</u>	<u>\$44</u>	<u>\$1</u>	<u>\$1,580</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, 2011

(amounts expressed in thousands)

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	\$ 8,191	\$ 0	\$ 442	\$ 7,749	\$ 588
Tax Allocation Bonds	251,806	65,000	37,311	279,495	5,985
Revenue Bonds	1,115	0	310	805	170
Lease Revenue Bonds	25,946	0	1,051	24,895	1,085
Commercial Loan	1,100	9,100	9,100	1,100	0
Compensated Absences	<u>184</u>	<u>0</u>	<u>53</u>	<u>131</u>	<u>38</u>
Sub-total	288,342	74,100	48,267	314,175	7,866
Advances from the City	<u>26,959</u>	<u>23,403</u>	<u>11,773</u>	<u>38,589</u>	<u>14,343</u>
Total	<u>\$315,301</u>	<u>\$97,503</u>	<u>\$60,040</u>	<u>\$352,764</u>	<u>\$22,209</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, 2011, 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, 2011. Interest is paid monthly. Principal is due in full on July 1, 2012.

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, 2011:

	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.	\$1,740
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.	2,695
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

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, 2011

(amounts expressed in thousands)

	<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>327</u>
Total Notes Payable	<u>\$ 7,749</u>

The following is a schedule of annual notes payable requirements to maturity as of June 30, 2011:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 588	\$ 544	\$1,132
2013	636	513	1,149
2014	1,011	503	1,514
2015	743	440	1,183
2016	782	346	1,128
2017-2021	1,461	1,596	3,057
2022-2026	471	1,238	1,709
2027-2031	777	933	1,710
2032-2036	1,280	430	1,710
Total	<u>\$7,749</u>	<u>\$6,543</u>	<u>\$14,292</u>

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, 2011, consisted of the following:

	<u>Principal Outstanding</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	\$12,950
\$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	4,700
\$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.	14,395

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, 2011

(amounts expressed in thousands)

	<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.	31,285	\$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.	4,310	\$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	4,880
\$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.	2,385	\$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.	970
\$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.	20,555	\$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.	8,905
		\$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, 2011

(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.	6,350	\$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.	11,610
\$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.	23,115	\$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.	9,485
\$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.	15,345
\$8,135 La Sierra/Arlanza Redevelopment Project 2007 Tax Allocation Bonds, Series D; \$8,135 term bonds at 5.24% due August 1, 2017.	5,905	\$17,300 Downtown/Airport/Hunter Park/Northside Redevelopment Project 2011 Tax Allocation Bonds, due in annual installments at 5.00% due November 1, 2011; through November 1, 2041. The bonds were purchased by the City.	17,300
\$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	\$17,700 University Corridor/Sycamore Canyon Redevelopment Project 2011 Tax Allocation Bonds, due in annual installments at 5.00% due November 1, 2011; through November 1, 2037. The bonds were purchased by the City.	10,000

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, 2011

(amounts expressed in thousands)

	<u>Principal Outstanding</u>		<u>Principal Outstanding</u>
\$5,000 Magnolia Center Redevelopment Project 2011 Tax Allocation Bonds, due in annual installments at 5.00% due November 1, 2011; through November 1, 2041. The bonds were purchased by the City.	1,000	<u>Lease Revenue Bonds</u>	
		\$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.	\$20,710
\$20,000 La Sierra/Arlanza Redevelopment Project 2011 Tax Allocation Bonds, due in annual installments at 5.00% due November 1, 2011; through November 1, 2041. The bonds were purchased by the City.	5,000	\$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.	
Subtotal	272,830	Subtotal	3,540
Unamortized bond premium	5,311	Unamortized Bond Premium	645
Unamortized deferred bond refunding costs	354	Total	<u>\$24,895</u>
Total	<u>\$279,495</u>	Total Bonds Payable	<u>\$305,195</u>
<u>Revenue Bonds</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).	\$130		
\$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	675		
Total	<u>\$805</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, 2011

(amounts expressed in thousands)

Annual debt service requirements to maturity for Bonds Payable, as of June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,240	\$ 15,417	\$ 22,657
2013	7,575	14,415	21,990
2014	7,930	14,073	22,003
2015	8,310	13,712	22,021
2016	8,520	13,330	21,850
2017-2021	52,430	59,516	111,946
2022-2026	65,955	43,997	109,952
2027-2031	56,480	28,092	84,572
2032-2036	51,730	14,875	66,605
2037-2041	27,300	3,468	30,768
2042-2046	5,415	135	5,550
Premium	5,956	0	5,956
Refunding Costs	354	0	354
Total	<u>\$305,195</u>	<u>\$221,030</u>	<u>\$526,224</u>

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:

<u>Description of Pledged Revenue</u>	<u>Annual Pledged Revenue (Net)</u>	<u>Annual Debt Service Payments (all debt secured by revenue)</u>	<u>Debt Service Coverage Ratio for FYE 6/30/11</u>
Tax Increment:			
Non-Housing	\$39,165	\$15,372	2.55
Housing	\$6,997	\$2,771	2.53

Advances from the City of Riverside

All advances from the City accrue interest at 2.24%, which was at the rate earned by the City's pooled investments at June 30, 2011.

A schedule of the advances and related accrued but unpaid interest due to the City of the Downtown/Airport/Hunter Park/Northside project area at June 30, 2011, is as follows:

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
\$728 advance of April 1, 2008, due April 1, 2013.	\$ 311	\$7	\$318
\$5,000 advance of April 1, 2008, due April 1, 2028.	4,419	50	4,469
\$4,800 advance of March 1, 2008, due March 1, 2012	2,648	725	3,373

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, 2011

(amounts expressed in thousands)

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
\$5,400 advance of October 1, 2006, due October 1, 2011	\$ 5,400	\$ 946	\$ 6,346	Multiple Projects - \$795 Pension Obligations advance of June 30, 2011, due June 1, 2020 from the following projects:			
\$3,679 advance of May 1, 2008, due May 1, 2012	3,679	571	4,250	Arlington	40	2	42
\$4,280 advance of August 1, 2009, due May 1, 2015	4,280	0	4,280	Casa Blanca	79	3	82
\$1,200 advance of September 1, 2010, due September 1, 2015.	1,200	0	1,200	Magnolia Center	24	1	25
\$720 advance of March 1, 2011, due March 1, 2031.	720	0	720	University Corridor/Sycamore Canyon	185	6	197
\$4,838 advance of March 1, 2011, due March 1, 2031.	4,838	0	4,838	Downtown/Airport/Hunter Park/Northside	<u>351</u>	<u>13</u>	<u>364</u>
\$680 advance of March 1, 2011, due March 1, 2016.	<u>680</u>	<u>0</u>	<u>680</u>	Subtotal	<u>679</u>	<u>25</u>	<u>704</u>
Subtotal	<u>28,175</u>	<u>2,299</u>	<u>30,474</u>	Downtown/Airport Project – Advance related to Hyatt Place Hotel	<u>7,410</u>	<u>0</u>	<u>7,410</u>
				Total Advances from City	<u>\$36,264</u>	<u>\$2,324</u>	<u>\$38,588</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.

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, 2011

(amounts expressed in thousands)

While the ultimate losses incurred through June 30, 2011, 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, 2011, were \$57 and were allocated to the project areas. There were no claims settled during fiscal years 2010 and 2011 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, 2011, 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.

Contributions made for Agency employees were \$443 for the year ended June 30, 2011.

Citywide information concerning elements of unfunded pension benefit obligation, contributions to CalPERS for the year ended June 30, 2011, 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 \$81,973 in the Fiscal Year 2011/2012 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)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

(amounts expressed in thousands)

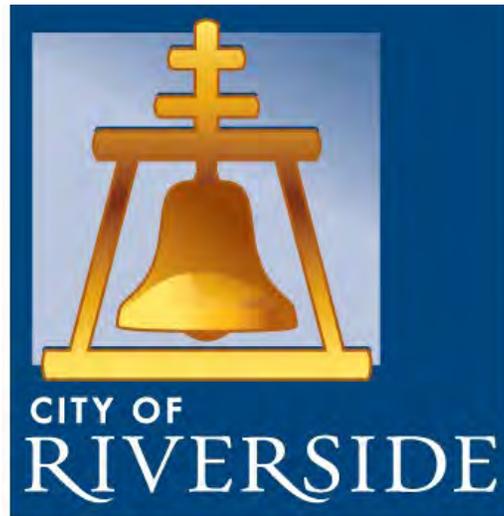
Note 10. State Assembly Bills 1X 26 and 27

On June 29, 2011 Governor Brown signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires that California redevelopment agencies immediately suspend activities and only allows activity to meet existing obligations, preserve its assets and prepare for potential dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate via a Voluntary Alternative Redevelopment Program by adopting an ordinance agreeing to make certain payments to help alleviate the State budget crisis in fiscal year 2011-12 and annual payments each fiscal year thereafter.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1X 27 and most of Assembly Bill 1X 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012."

On August 9, 2011, Ordinance No. 7138 was adopted, indicating that the agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills 1X 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be \$19.6 million with one half due on January 15, 2012 and the other half due May 15,

2012. Thereafter, an estimated \$4.6M will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill 1X 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the agency to assemble sufficient funds to make its initial payments.



City of Arts & Innovation

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011
(amounts expressed in thousands)

Assets	Special Revenue								Totals
	Arlington	Casa Blanca	Eastside	Magnolia Center	Downtown/ Airport/ Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Rehabilitation	
Cash and investments	\$ 631	\$ 348	\$ 124	\$ 338	\$ 1,290	\$ 2,313	\$ 6,027	\$ 398	\$ 11,469
Cash and investments at fiscal agent	-	-	-	-	192	-	-	-	192
Interest receivable	6	2	1	4	31	22	43	3	112
Accounts receivable, net	-	-	-	-	-	-	-	-	-
Loans receivable	920	1,876	-	4,078	2,322	6,648	-	26	15,870
Advances to other funds	1,189	131	-	820	3,005	4,099	11,327	-	20,571
Total assets	\$ 2,746	\$ 2,357	\$ 125	\$ 5,240	\$ 6,840	\$ 13,082	\$ 17,397	\$ 427	\$ 48,214
Liabilities and fund balances									
Liabilities:									
Accounts payable	\$ -	\$ 4	\$ -	\$ -	\$ 16	\$ -	\$ 152	\$ -	\$ 172
Deferred revenues	920	1,876	-	4,078	2,322	6,627	-	-	15,823
Deposits	-	-	-	-	16	10	-	-	26
Advances from other funds	-	-	-	-	-	-	-	-	-
Total liabilities	920	1,880	-	4,078	2,354	6,637	152	-	16,021
Fund balances:									
Restricted for:									
Housing and redevelopment	1,826	477	125	1,162	4,486	6,445	17,245	427	32,193
Debt service	-	-	-	-	-	-	-	-	-
Total fund balances	1,826	477	125	1,162	4,486	6,445	17,245	427	32,193
Total liabilities and fund balances	\$ 2,746	\$ 2,357	\$ 125	\$ 5,240	\$ 6,840	\$ 13,082	\$ 17,397	\$ 427	\$ 48,214

(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, 2011
(amounts expressed in thousands)

	Debt Service					Capital Projects Funds					Total Nonmajor Funds
	Arlington	Casa Blanca	Eastside	Magnolia Center	Totals	Arlington	Casa Blanca	Eastside	Magnolia Center	Totals	
Assets											
Cash and investments	\$ 1,293	\$ 1,643	\$ 621	\$ 869	\$ 4,426	\$ 4,162	\$ 2,295	\$ 45	\$ 1,722	\$ 8,224	\$ 24,119
Cash and investments at fiscal agent	825	346	32	180	1,383	8,915	10,415	-	1,031	20,361	21,936
Interest receivable	12	9	5	7	33	19	20	-	-	39	184
Accounts receivable, net	-	-	-	-	-	1	-	-	2	3	3
Loans receivable	-	-	-	-	-	-	128	-	-	128	15,998
Advances to other funds	-	-	-	-	-	-	-	-	-	-	20,571
Total assets	\$ 2,130	\$ 1,998	\$ 658	\$ 1,056	\$ 5,842	\$ 13,097	\$ 12,858	\$ 45	\$ 2,755	\$ 28,755	\$ 82,811
Liabilities and fund balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 971	\$ 372	\$ -	\$ 651	\$ 1,994	\$ 2,166
Deferred revenues	-	-	-	-	-	-	-	-	-	-	15,823
Deposits	-	-	-	-	-	-	-	-	-	-	26
Advances from other funds	-	-	-	-	-	1,189	131	-	820	2,140	2,140
Total liabilities	-	-	-	-	-	2,160	503	-	1,471	4,134	20,155
Fund balances:											
Restricted for:											
Housing and redevelopment	-	-	-	-	-	10,937	12,355	45	1,284	24,621	56,814
Debt service	2,130	1,998	658	1,056	5,842	-	-	-	-	-	5,842
Total fund balances	2,130	1,998	658	1,056	5,842	10,937	12,355	45	1,284	24,621	62,656
Total liabilities and fund balances	\$ 2,130	\$ 1,998	\$ 658	\$ 1,056	\$ 5,842	\$ 13,097	\$ 12,858	\$ 45	\$ 2,755	\$ 28,755	\$ 82,811

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, 2011
(amount expressed in thousands)

	Special Revenue								Totals
	Arlington	Casa Blanca	Eastside	Magnolia Center	Downtown/ Airport/ Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Rehabilitation	
Revenues:									
Tax increment	\$ 948	\$ 639	\$ 18	\$ 624	\$ 2,585	\$ 2,559	\$ 3,790	\$ -	\$ 11,163
Interest	11	18	3	4	38	-	-	4	78
Miscellaneous	17	4	-	1	103	32	1	-	158
Total revenues	<u>976</u>	<u>661</u>	<u>21</u>	<u>629</u>	<u>2,726</u>	<u>2,591</u>	<u>3,791</u>	<u>4</u>	<u>11,399</u>
Expenditures:									
Current:									
Salaries and administrative	103	126	-	61	348	300	726	-	1,664
Professional services	3	-	-	12	20	16	21	-	72
Property acquisitions	-	-	-	-	-	187	12	-	199
Relocation costs	-	-	-	-	-	-	-	-	-
Site clearance costs	-	-	-	-	2	-	-	-	2
Project improvement	-	24	-	-	32	3,049	518	-	3,623
Pass-through agreements	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	9,100	-	9,100
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	<u>106</u>	<u>150</u>	<u>-</u>	<u>73</u>	<u>402</u>	<u>3,552</u>	<u>10,377</u>	<u>-</u>	<u>14,660</u>
Excess(deficiency) of revenues over(under) expenditures	<u>870</u>	<u>511</u>	<u>21</u>	<u>556</u>	<u>2,324</u>	<u>(961)</u>	<u>(6,586)</u>	<u>4</u>	<u>(3,261)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(285)	(403)	-	(162)	(1,434)	(893)	-	-	(3,177)
Transfers to Housing Authority	-	-	-	-	(7,442)	(328)	(3,729)	-	(11,499)
Transfers from Housing Authority	-	-	-	-	-	-	1,474	-	1,474
Transfers to the City	-	-	-	-	-	-	-	-	-
Transfers from the City	-	-	-	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	9,100	-	9,100
Gain (loss) on sale of assets held for resale	-	-	-	-	-	-	197	-	197
Total other financing sources (uses)	<u>(285)</u>	<u>(403)</u>	<u>-</u>	<u>(162)</u>	<u>(8,876)</u>	<u>(1,221)</u>	<u>7,042</u>	<u>-</u>	<u>(3,905)</u>
Net change in fund balances	585	108	21	394	(6,552)	(2,182)	456	4	(7,166)
Fund balances - beginning, as restated	<u>1,241</u>	<u>369</u>	<u>104</u>	<u>768</u>	<u>11,038</u>	<u>8,627</u>	<u>16,789</u>	<u>423</u>	<u>39,359</u>
Fund balances - ending	<u>\$ 1,826</u>	<u>\$ 477</u>	<u>\$ 125</u>	<u>\$ 1,162</u>	<u>\$ 4,486</u>	<u>\$ 6,445</u>	<u>\$ 17,245</u>	<u>\$ 427</u>	<u>\$ 32,193</u>

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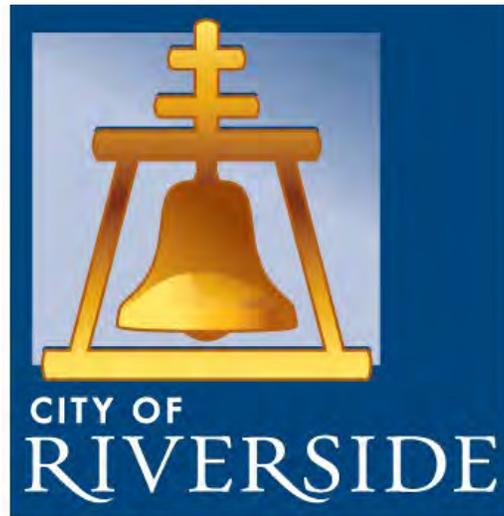
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (ACCUMULATED DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(amount expressed in thousands)

	Debt Service					Capital Projects Funds					Total Nonmajor Funds
	Arlington	Casa Blanca	Eastside	Magnolia Center	Totals	Arlington	Casa Blanca	Eastside	Magnolia Center	Totals	
Revenues:											
Tax increment	\$ 3,793	\$ 2,555	\$ 71	\$ 2,495	\$ 8,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,077
Interest	13	12	16	8	49	114	76	1	-	191	318
Miscellaneous	-	-	-	-	-	10	-	-	24	34	192
Total revenues	<u>3,806</u>	<u>2,567</u>	<u>87</u>	<u>2,503</u>	<u>8,963</u>	<u>124</u>	<u>76</u>	<u>1</u>	<u>24</u>	<u>225</u>	<u>20,587</u>
Expenditures:											
Current:											
Salaries and administrative	39	25	1	27	92	570	540	-	419	1,529	3,285
Professional services	7	8	2	3	20	19	66	-	697	782	874
Property acquisitions	-	-	-	-	-	-	-	-	-	-	199
Relocation costs	-	-	-	-	-	-	-	-	70	70	70
Site clearance costs	-	-	-	-	-	-	-	-	4	4	6
Project improvement	-	-	-	-	-	5,149	903	-	3,509	9,561	13,184
Pass-through agreements	-	-	-	-	-	1,161	32	-	760	1,953	1,953
Debt service:											
Principal	5,562	972	16	4,343	10,893	-	-	-	-	-	19,993
Interest	1,449	1,311	12	1,025	3,797	-	-	-	-	-	3,797
Total expenditures	<u>7,057</u>	<u>2,316</u>	<u>31</u>	<u>5,398</u>	<u>14,802</u>	<u>6,899</u>	<u>1,541</u>	<u>-</u>	<u>5,459</u>	<u>13,899</u>	<u>43,361</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(3,251)</u>	<u>251</u>	<u>56</u>	<u>(2,895)</u>	<u>(5,839)</u>	<u>(6,775)</u>	<u>(1,465)</u>	<u>1</u>	<u>(5,435)</u>	<u>(13,674)</u>	<u>(22,774)</u>
Other financing sources (uses):											
Transfers in	5,285	403	-	4,162	9,850	1,995	630	-	1,230	3,855	13,705
Transfers out	(1,995)	(630)	-	(1,230)	(3,855)	(5,000)	-	-	(4,000)	(9,000)	(16,032)
Transfers to Housing Authority	-	-	-	-	-	-	-	-	-	-	(11,499)
Transfers from Housing Authority	-	-	-	-	-	-	-	-	-	-	1,474
Transfers to the City	-	-	-	-	-	(4,681)	(1,221)	-	(11,308)	(17,210)	(17,210)
Transfers from the City	-	-	-	-	-	-	-	-	108	108	108
Issuance of long-term debt	-	-	-	-	-	5,000	-	-	5,000	10,000	19,100
Loss on sale of assets held for resale	-	-	-	-	-	-	-	-	-	-	197
Total other financing sources (uses)	<u>3,290</u>	<u>(227)</u>	<u>-</u>	<u>2,932</u>	<u>5,995</u>	<u>(2,686)</u>	<u>(591)</u>	<u>-</u>	<u>(8,970)</u>	<u>(12,247)</u>	<u>(10,157)</u>
Net change in fund balances	39	24	56	37	156	(9,461)	(2,056)	1	(14,405)	(25,921)	(32,931)
Fund balances - beginning, as restated	<u>2,091</u>	<u>1,974</u>	<u>602</u>	<u>1,019</u>	<u>5,686</u>	<u>20,398</u>	<u>14,411</u>	<u>44</u>	<u>15,689</u>	<u>50,542</u>	<u>95,587</u>
Fund balances - ending	<u>\$ 2,130</u>	<u>\$ 1,998</u>	<u>\$ 658</u>	<u>\$ 1,056</u>	<u>\$ 5,842</u>	<u>\$ 10,937</u>	<u>\$ 12,355</u>	<u>\$ 45</u>	<u>\$ 1,284</u>	<u>\$ 24,621</u>	<u>\$ 62,656</u>

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, 2011

(in thousands)

Fund Balance, June 30, 2011		\$32,193
Less Unavailable Amounts:		
Encumbrances	\$421	
Rehabilitation loans	46	
Advances to Other Funds for SERAF Payment	20,571	
Unspent debt proceeds	192	(21,230)
Available Low and Moderate Income Housing Funds		<u>10,963</u>
Limitation (greater of \$1,000 or four years set-aside)		
Set-aside for last four years		
2009-2010	11,592	
2008-2009	13,094	
2007-2008	12,889	
2006-2007	9,961	(47,536)
Excess(Deficit) of Available Low and Moderate Income Housing Funds Over(Under) Limitation		<u><u>(\$36,573)</u></u>
Computed Excess Surplus, June 30, 2011		<u><u>\$0</u></u>



City of Arts & Innovation

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Redevelopment Agency of the City of Riverside
3900 Main Street
Riverside, California

We have audited the financial statements the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside, California, (“the Agency”) as of and for the year ended June 30, 2011, which collectively comprise the Agency’s basic financial statements and have issued our report thereon dated October 14, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

Board of Directors
Redevelopment Agency of the City of Riverside

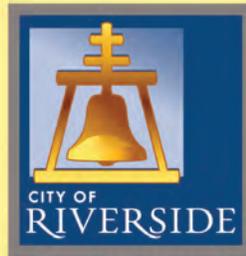
Compliance and Other Matters

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 the 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 certain instances of noncompliance where three properties held for resale purchased with low and moderate income housing funds were held beyond five years.

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

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
October 14, 2011



City of Arts & Innovation

