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# **FINANCIAL STATEMENTS**

Notes to the Financial Statements

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REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
(A Component Unit of the Town of Truckee, California)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Redevelopment Agency of the Town of Truckee was established on October 15, 1998 pursuant to the Community Redevelopment Law of the California Health and Safety Code. The primary purpose of the Agency is to eliminate blight areas by encouraging development of residential, commercial, industrial, recreational and public facilities. The accounting methods and procedures adopted by the Agency conform to generally accepted accounting principles as applied to governmental entities.

The Agency is considered to be a component unit of the Town of Truckee. These entities are legally separate from each other. However, the Town elected officials have a continuing full or partial oversight responsibility over and accountability for fiscal matters of the Agency. The criteria used to determine the scope of the reporting entity for financial reporting purposes are (1) exercise of oversight responsibility over such agencies by the governmental units elected officials, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Based on the application of these criteria, the Truckee Redevelopment Agency is presented as a blended component unit within the Town of Truckee's financial statements.

B. Basis of Presentation

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the Agency. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities. All activity of the Agency is reflected as a governmental type activity. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Agency reports the following major governmental funds:

- The Redevelopment Housing Fund is a special revenue fund used to account for monies set aside for low and moderate income housing redevelopment.

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**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The Redevelopment Capital Projects fund is a capital projects fund used to account for financial resources used for the acquisition or construction of major capital facilities.
- The Redevelopment Debt Service fund is a debt service fund used to account for increment debt issued by the Agency.

The Agency does not report any major proprietary funds.

**C. Basis of Accounting and Measurement Focus**

The government-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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

**D. Cash and Investments**

The Agency pools cash and investments of all funds, with cash and investments of the Town of Truckee except unspent bond proceeds which are kept in separate accounts. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the Town to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund (LAIF). Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance. Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2011, the Truckee Town Council has not entered into any legally binding guarantees to support the participant equity in the investment pool.

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
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 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and interest.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as interest and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available, such as taxes receivable, are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

F. Inventory

All inventory items and supplies are recorded as expenditures when purchased. The amount on hand at June 30, 2011 was not considered material.

G. Loans Receivable

For the purpose of the fund financial statements, governmental fund expenditures relating to long-term loans receivable arising from mortgage subsidy programs are charged to operations at the time of funding. The portion of the loans receivable balance that includes loans for which repayment is deferred or for which repayment may be forgiven if certain terms and conditions of the loans are met has been offset by unearned revenue.

H. Land held for Resale

The Town's Redevelopment Agency purchased land on West River Street from Nevada County during fiscal 2004 and 2005. The land required environmental hazard remediation prior to sale or use. Further clean up is required before the land will be sold or redeveloped.

I. Capital Assets

Capital assets, which include property, plant, and equipment are defined by the Agency as an asset with a cost greater than \$5,000.

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-Wide Financial Statements**

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are reported at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| <u>Depreciable Asset</u>    | <u>Estimated Lives</u> |
|-----------------------------|------------------------|
| Equipment                   | 4 - 25 years           |
| Structures and improvements | 25 - 60 years          |

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition.

J. Unearned Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue. In addition, loans receivable for which repayment is deferred or for which the balance may be forgiven if certain terms and conditions of the loans are met have also been offset by unearned revenue.

K. Long-Term Debt

All long-term debt to be repaid from governmental type resources are reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences payable, advances from the Town of Truckee and tax increment bonds payable.

Long-term debt for governmental funds is generally not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. However, since the Agency is a component unit of the Town of Truckee, the advances from the Town of Truckee are reflected in the fund financial statements.

L. Compensated Absences

The Agency's policy regarding compensated absences is to permit employees to accumulate a limited amount of earned but unused vacation leave, compensatory time, and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature. The Town includes its share of medicare taxes payable on behalf of the employees in the accrual for compensated absences.

M. Net Assets/Fund Balances

**Government-Wide Financial Statements**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Net assets restricted for capital projects includes tax increment bond proceeds restricted for capital projects.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net assets are negative to the extent that the Agency has elected to fund tax increment bonds payable as they come due, rather than when they are incurred.

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
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**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements**

Beginning with fiscal year 2011, the Agency implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following Classification describe the relative strength of the spending constraints:

- *Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulation of another governments.
- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the Agency Board. Agency Board is the highest level of decision-making authority for the Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Agency Board. The Agency did not have any committed resources as of June 30, 2011.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This intent can be expressed by the Agency or by an official or body to which the Agency delegates the authority.
- *Unassigned* – amounts not included in other spendable classifications. Positive amounts are reported only in the General Fund.

Beginning fund balances for the Agency's governmental funds have been restated to reflect the above classifications.

The Agency Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by the Agency Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fleet equipment, construction, litigation, overlay program, etc.)

As of June 30, 2011, nonspendable fund balance included:

- Land held for resale - to reflect the portion of assets which represents land held for resale which does not represent available spendable resources.

As of June 30, 2011, restricted fund balance included:

- Total Fund balance, less land held for resale. All funds must be spent according to redevelopment law; therefore funds which are spendable are restricted.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

**N. Taxes and Assessments**

The Agency is funded primarily by allocated tax increment revenues. Information on property tax levy, collection and maximum rates is contained in the Town of Truckee financial statements.

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified as follows:

Government Funds - By Character  
    Current (further classified by function)  
    Debt Service  
    Capital Outlay

P. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

Q. Estimates

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

**NOTE 2: DETAILED NOTES**

A. Cash and Investments

The Agency follows the practice of pooling all cash and investments with the Town of Truckee except unspent bond proceeds which are kept in separate accounts. Complete disclosure of Town of Truckee investment policies can be found in the Town annual audited financial statements.

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**NOTE 2: DETAILED NOTES (CONTINUED)**

Total Agency cash and investments are as follows:

|                                       |               |
|---------------------------------------|---------------|
| Cash and Deposits:                    |               |
| Deposits in Town's pool               | \$ 47,539     |
| Deposits with fiscal agents           | 1,699,242     |
| Total Cash and Deposits               | 1,746,781     |
| Investments:                          |               |
| Restricted unspent 2009 Bond Proceeds | 5,676,575     |
| Unrestricted In Agency's pool         | 5,883,494     |
| Total Investments in Agency Pool      | 11,560,069    |
| Total Cash & Investments              | \$ 13,306,850 |

**Deposits**

The California Government Code requires California banks and savings and loan associations to collateralize the Agency's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of the Agency's deposits. California law also allows financial institutions to collateralize Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the Agency's total deposits. The Agency may waive collateral requirements for deposits which are fully insured up to \$250,000 by Federal Deposit insurance.

At year end, the carrying amount of the Agency's cash deposits (including amounts in money market accounts) was \$1,746,781. Of the bank balance, \$806,707 was covered by federal depository insurance and \$940,074 was uninsured and collateralized (i.e. collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the Agency's name).

**Investments**

The Redevelopment Agency bond proceeds investment policy authorized investments include:

| Investment Category                | Standard                    |
|------------------------------------|-----------------------------|
| Treasury Issues                    | No limitations              |
| Government sponsored Agency Issues | No limitations              |
| Banker's Acceptances               | A-1 and P-1 rated or better |
| Commercial Paper                   | A-1 and P-1 rated or better |
| Money Market Mutual Funds          | Aaa or AAA rated            |
| Investment Agreements              | Not currently used          |
| Repurchase Agreements              | Not currently used          |
| LAIF                               | No limitations              |

As of June 30, 2011, the Agency had the following investments:

|                                       | Maturities   |              |              | Fair Value    | Weighted<br>Average Maturity<br>(Years) |
|---------------------------------------|--------------|--------------|--------------|---------------|---|
|                                       | 0 - 1 year   | 1 - 5 years  | Over 5 years |               |   |
| <b>Investments in Investment Pool</b> |              |              |              |               |   |
| U.S. Government Agency Securities     | \$ 3,685,233 | \$ 4,399,380 | \$ -         | \$ 8,084,613  | 1.21                                    |
| Corporate Notes                       | 1,765,656    | 302,089      | -            | 2,067,745     | 0.80                                    |
| Local Agency Investment Fund (LAIF)   | 1,407,712    | -            | -            | 1,407,712     | -                                       |
| Total Investments in Investment Pool  | \$ 6,858,600 | \$ 4,701,469 | \$ -         | \$ 11,560,069 | 0.99                                    |

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
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**NOTE 2: DETAILED NOTES (CONTINUED)**

Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Agency are pooled with the Town of Truckee investment pool. The Agency does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and Town investment pool policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. The Agency has no investment policy that would further limit its investment choices.

Custodial Credit Risk

At year end, neither the Agency nor Town participated in any repurchase agreements or securities lending that would result in any possible risk in this area.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Agency has invested all cash in the Town investment pool which contains a diversification of investments.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

|  | <u>Balance<br/>July 1, 2010</u> | <u>Additions/<br/>Adjustments</u> | <u>Retirements/<br/>Adjustments</u> | <u>Balance<br/>June 30, 2011</u> |
|--|---------------------------------|-----------------------------------|-------------------------------------|----------------------------------|
| Capital Assets, Not Being Depreciated:       |                                 |                                   |                                     |                                  |
| Land   | \$ 5,090                        | \$ -                              | \$ -                                | \$ 5,090                         |
| Total Capital Assets, Not Being Depreciated  | <u>5,090</u>                    | <u>-</u>                          | <u>-</u>                            | <u>5,090</u>                     |
| Capital Assets, Being Depreciated:           |                                 |                                   |                                     |                                  |
| Leasehold Improvements                       | 85,941                          | -                                 | -                                   | 85,941                           |
| Machinery & Equipment                        | 191,630                         | -                                 | -                                   | 191,630                          |
| Total Capital Assets, Being Depreciated      | <u>277,571</u>                  | <u>-</u>                          | <u>-</u>                            | <u>277,571</u>                   |
| Less Accumulated Depreciation For:           |                                 |                                   |                                     |                                  |
| Leasehold Improvements                       | (7,162)                         | (7,162)                           | -                                   | (14,324)                         |
| Machinery & Equipment                        | (15,968)                        | (15,969)                          | -                                   | (31,937)                         |
| Total Accumulated Depreciation               | <u>(23,130)</u>                 | <u>(23,131)</u>                   | <u>-</u>                            | <u>(46,261)</u>                  |
| Total Capital Assets, Being Depreciated, Net | <u>254,441</u>                  | <u>(23,131)</u>                   | <u>-</u>                            | <u>231,310</u>                   |
| Capital Assets, Net                          | <u>\$ 259,531</u>               | <u>\$ (23,131)</u>                | <u>\$ -</u>                         | <u>\$ 236,400</u>                |

Depreciation expense of \$23,131 was charged to the community development function at June 30, 2011.

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**NOTE 2: DETAILED NOTES (CONTINUED)**

**C. Long Term Liabilities**

Deferred charges (cost of issuance) for the 2010 bond issue is included as an asset in the Government Wide Statement of Net Assets (\$479,758). Long-term liabilities due within one year are net of unamortized discount.

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2011:

|                                  | Balance<br>July 1, 2010 | Additions/<br>Adjustments | Retirements | Balance<br>June 30, 2011 | Amounts Due<br>Within One Year |
|----------------------------------|-------------------------|---------------------------|-------------|--------------------------|--------------------------------|
| Tax Increment Revenue Bonds      | \$ 12,740,000           | \$ -                      | \$ -        | \$ 12,740,000            | \$ -                           |
| Less: Unamortized Discount       | (55,201)                | -                         | 1,861       | (53,340)                 | (1,861)                        |
| Less: Cost of Issuance           | (496,494)               | -                         | 16,736      | (479,758)                | (16,736)                       |
| Tax Increment Revenue Bonds, Net | 12,188,305              | -                         | 18,597      | 12,206,902               | (18,597)                       |
| Compensated Absences (Note 1L)   | \$ 27,185               | \$ 17,261                 | \$ (13,246) | \$ 31,200                | \$ 2,865                       |
| Total Long-term Liabilities      | \$ 12,215,490           | \$ 17,261                 | \$ 5,351    | \$ 12,238,102            | \$ (15,732)                    |

As of June 30, 2011 tax increment bonds consisted of the following:

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Tax increment Bonds Series 2010, dated February 9, 2010, in the amount of \$9,385,000 (Series 2010A) and \$3,355,000 (Series 2010B) for a total issue of \$12,740,000, payable in annual installments of \$40,000 to \$1,085,000. Series 2009A interest rate of 3.000% to 4.500% and maturity on September 1, 2034 and Series 2009B Recovery Zone Economic Development Bonds (Taxable) with an interest rate of 8.193% prior to the 45% United States Treasury subsidy (net interest rate of 4.51%). | <u>\$ 12,740,000</u>               |
| Total Bonds  | <u><u>\$ 12,740,000</u></u>        |

The annual aggregate maturities for years subsequent to June 30, 2011 are as follows:

| Tax Increment Bonds<br>Year Ended<br>June 30 | Redevelopment Activities |                         |                             |                      | Total Principal &<br>Net Interest |
|--|--------------------------|-------------------------|-----------------------------|----------------------|-----------------------------------|
|  | Principal                | Total Gross<br>Interest | Less US Treasury<br>Subsidy | Net Interest         |                                   |
| 2012   | \$ -                     | \$ 744,025              | \$ (123,694)                | \$ 620,331           | \$ 620,331                        |
| 2013   | -                        | 744,025                 | (123,694)                   | 620,331              | 620,331                           |
| 2014   | 40,000                   | 743,425                 | (123,694)                   | 619,731              | 659,731                           |
| 2015   | 55,000                   | 742,000                 | (123,694)                   | 618,306              | 673,306                           |
| 2016   | 75,000                   | 740,050                 | (123,694)                   | 616,356              | 691,356                           |
| 2017-2021                                    | 690,000                  | 3,640,463               | (618,469)                   | 3,021,994            | 3,711,994                         |
| 2022-2026                                    | 1,355,000                | 3,432,413               | (618,469)                   | 2,813,944            | 4,168,944                         |
| 2027-2031                                    | 2,280,000                | 2,997,420               | (618,469)                   | 2,378,951            | 4,658,951                         |
| 2032-2036                                    | 3,420,000                | 2,255,070               | (618,469)                   | 1,636,601            | 5,056,601                         |
| 2037-2041                                    | 4,825,000                | 999,114                 | (416,706)                   | 582,408              | 5,407,408                         |
|  | <u>\$ 12,740,000</u>     | <u>\$ 17,038,005</u>    | <u>\$ (3,509,052)</u>       | <u>\$ 13,528,953</u> | <u>\$ 26,268,953</u>              |

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 2: DETAILED NOTES (CONTINUED)**

D. Advances From Town of Truckee

The Town of Truckee had advanced funds to the Truckee Redevelopment Agency pursuant to an intergovernmental loan agreement. The balance on the advance payable at July 1, 2010 was \$2,284,461. The balance of the advance was paid off in full during the 2011 fiscal year.

**NOTE 3: OTHER INFORMATION**

A. Insurance

Because of the close relationship between the Agency and the Town of Truckee, the Agency's liability coverage is provided by the Town's insurance policies. Complete information on risk management can be found in the Town of Truckee's audited financial statements.

B. Low and Moderate Housing Obligation

Section 333346 subdivision (c) of the California Health and Safety Code (the Code), requires the Agency project areas to deposit 20 percent of allocated tax increment revenues into a Redevelopment Housing Fund. Activity in this fund for the year ended June 30, 2011, was as follows:

|                                    |    |           |
|------------------------------------|----|-----------|
| Ending Balance June 30, 2010       | \$ | 1,375,483 |
| Revenue set aside:                 |    |           |
| tax increment x .20                |    | 421,033   |
| Interest earned                    |    | 15,080    |
| Other revenues                     |    | -         |
| Total available                    |    | 1,811,596 |
| Less: Expenditure Allocations      |    | (131,915) |
| Less: Transfers to Town of Truckee |    | -         |
| Ending Balance June 30, 2011       | \$ | 1,679,681 |

C. Transfers

During the year ended June 30, 2011, the following transfers were made:

|   | Capital Projects | Debt Service |
|---|------------------|--------------|
| Transfers to Town of Truckee              | (957,033)        | -            |
| Transfers to (from) RDA Debt Service Fund | (658,240)        | 658,240      |
|   | (1,615,273)      | 658,240      |

Transfers to the Town of Truckee were made for capital projects, parking lot lease costs and the pass through to the Town of Truckee General Fund.

D. Construction Commitments

The Agency had signed agreements for \$222,526 in various construction projects that were not complete as of June 30, 2011. Construction completed and paid subsequent to June 30, 2011 on these projects was \$113,368. The Agency has also signed agreements for construction projects subsequent to June 30, 2011 in the amount of \$1,062,178 of which \$1,062,178 was constructed and paid by the date of financial statement preparation. Construction projects which are funded by the Agency are also funded by other sources, such as various Town of Truckee fees and governmental grants. The amounts included here are only the portion of the project which is funded by RDA resources.

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE  
(A Component Unit of the Town of Truckee, California)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 3: OTHER INFORMATION (CONTINUED)**

E. Redevelopment Agencies

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provide a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The Town of Truckee intends to use available monies of its redevelopment agency for this purpose, if required the Town and Agency will approve a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The Town might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

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 X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 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." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized obligation payment schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

The Town filed the required Enforceable Obligation Payment Schedule (EOPS) and Recognized Obligation Payment Schedule (ROPS) and has them on file. The Town has not adopted an ordinance of compliance with the Voluntary Alternative Redevelopment Program due to the California Supreme Court's suspension of the statutory authority of California to enact continuation ordinances and related funding agreements. In order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional, The Town will adopt an ordinance or resolution as needed.

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**NOTE 3: OTHER INFORMATION (CONTINUED)**

The initial payment by the Town is estimated to be \$795,722 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$187,228 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. 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 X1 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. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

**NOTE 4: PRIOR PERIOD RESTATEMENT**

The Agency determined that certain capital projects had been overfunded in prior years due to the availability of grant funding. Accordingly, the balance sheet of the fund financial statements has been adjusted to reflect the following prior period restatement. In addition, the government wide statement of activities reflects a prior period adjustment for unearned revenue that was eliminated in error in the 2010 fiscal year.

| Fund                       | Description of Restatement  | Amount           |
|----------------------------|---|------------------|
| <u>Governmental Funds</u>  |   |                  |
| RDA Capital                | Excess funding to Capital Projects Fund in prior years due to availability of grant funding | \$ 22,686        |
|                            | Total Major Fund Balance Restatement  | 22,686           |
|                            | <b>Total Governmental Fund Balance Restatement</b>  | <b>\$ 22,686</b> |
| <br><u>Government Wide</u> |   |                  |
|                            | Description of Restatement  |                  |
|                            | Fund prior period adjustments   | \$ 22,686        |
|                            | Unearned revenue adjustment for newsrack lease revenue                                      | (4,137)          |
|                            | <b>Total Government Wide Net Assets Restatement</b>   | <b>\$ 18,549</b> |