
**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE
(A COMPONENT UNIT OF THE
TOWN OF TRUCKEE, CALIFORNIA)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

**SMITH AND NEWELL
CERTIFIED PUBLIC ACCOUNTANTS
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**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE
(A Component Unit of the Town of Truckee, California)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
<u>Independent Auditor's Report</u>	1
<u>Management's Discussion and Analysis (Required Supplementary Information)</u>	2-6
<u>Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	9
Reconciliation of Total Governmental Fund Balances to the Government-Wide Statement of Net Assets - Governmental Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities	12
Notes to the Financial Statements:	
1 Financial Reporting Entity and Summary of Significant Accounting Policies	13-18
2 Detailed Notes	18-19
3 Other Information	19-20
<u>Required Supplementary Information (other than MD&A)</u>	
Budgetary Comparison Schedule - Redevelopment Housing - Major Special Revenue Fund	21
Note to Required Supplementary Information	22
<u>Other Report and Schedules</u>	
Report 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	23-24
Status of Findings and Recommendations	25

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FINANCIAL SECTION

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- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Financial Statements**
 - **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Redevelopment Agency of the Town of Truckee
Truckee, California

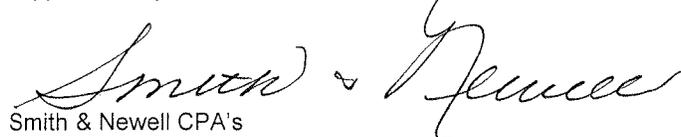
We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the Town of Truckee (Agency)(a redevelopment agency formed under the laws of the State of California) and a component unit of the Town of Truckee, California, as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency'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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2007, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 21 through 22, are 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.



Smith & Newell CPA's
Yuba City, California
October 25, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**REDEVELOPMENT AGENCY
OF THE TOWN OF TRUCKEE, CALIFORNIA
(A component Unit of the Town of Truckee, California)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

As management of the Town of Truckee Redevelopment Agency (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities, at the close of the fiscal year ended June 30, 2007, by \$1,637,700.

The Agency's total net assets increased by \$285,069. This increase is primarily attributable to the increase in tax increment received from Nevada County.

As of June 30, 2007, the Agency's governmental funds reported combined ending fund balances of \$1,639,829 an increase of \$287,198 in comparison with the prior year. The increase is again primarily attributable to the increase in tax increment received from Nevada County.

The Agency's total liabilities increased by \$1,070,113 during the current fiscal year. The increase was attributable to advances from the Town's general fund, accrued unpaid interest, compensated absences, and deferred revenue related to down-payment assistance loans.

The Agency issued down payment assistance loans in the amount of \$42,000 in fiscal 2007. The Agency contributed to the Frishman Hollow infrastructure and Donner Pass Road box culvert capital improvement projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which 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 Required Supplementary Information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE 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 net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

**REDEVELOPMENT AGENCY
OF THE TOWN OF TRUCKEE, CALIFORNIA
(A component Unit of the Town of Truckee, California)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The Statement of Activities presents information showing how the government'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 only result in cash flows in future fiscal periods (e.g. uncollected taxes).

The government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include administrative costs, capital projects and interest on long-term debt. The Agency does not have business-type activities.

The government-wide financial statements can be found on pages 7-8 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 classified as governmental funds.

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 funds 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 the 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.

The Agency maintains two (2) individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for each fund. All funds of the Agency are considered to be major funds.

The Agency adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for the major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 -12 of this report.

**REDEVELOPMENT AGENCY
OF THE TOWN OF TRUCKEE, CALIFORNIA
(A component Unit of the Town of Truckee, California)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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 13-20 of this report.

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, assets exceeded liabilities by \$1,637,700 at June 30, 2007.

	Agency Net Assets		
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>
Current and other assets	\$ 6,857,527	\$ 5,571,271	23%
Loans receivable	63,836	-	
Land held for redevelopment	200,000	200,000	0%
Non depreciable capital assets	5,090	-	
Total assets	<u>7,126,453</u>	<u>5,771,271</u>	
Other Liabilities	379,358	294,534	29%
Due to Town of Truckee	5,102,176	4,124,106	24%
Long-term liabilities	7,219	-	
Total liabilities	<u>5,488,753</u>	<u>4,418,640</u>	
Invested in Capital Assets, net of related debt	5,090	-	
Restricted for capital projects	763,355	464,594	64%
Restricted for other purposes	876,474	888,037	-1%
Unrestricted	(7,219)	-	
Total net assets	<u>\$ 1,637,700</u>	<u>\$ 1,352,631</u>	

Of the Agency's net assets, \$876,474 represents resources that are subject to external restrictions on how they may be used.

**REDEVELOPMENT AGENCY
OF THE TOWN OF TRUCKEE, CALIFORNIA
(A component Unit of the Town of Truckee, California)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Governmental Activities. Governmental activities increased the Agency's net assets by \$285,069 primarily as a result of receiving tax increment received from Nevada County.

Agency Changes in Net Assets

	<u>Activities</u> <u>June 30, 2007</u>	<u>Activities</u> <u>June 30, 2006</u>	<u>Change</u>
General Revenues:			
Property taxes, RDA tax increment	\$ 1,397,242	\$ 1,234,743	13%
Investment Income	\$ 245,423	\$ 129,360	90%
Intergovernmental	18,942	17,996	5%
Total revenues	<u>1,661,607</u>	<u>1,382,099</u>	
Expenses:			
Administrative costs	344,873	220,712	56%
Interest expense	253,070	176,836	43%
Capital projects	778,595	365,028	113%
Total Expenses	<u>1,376,538</u>	<u>762,576</u>	
Increase (decrease) in net assets	285,069	619,523	-54%
Net assets - beginning of year	1,352,631	733,108	85%
Net assets - end of year	<u>\$ 1,637,700</u>	<u>\$ 1,352,631</u>	

As of the end of the current fiscal year, the Agency's net assets of \$1,637,700 reflect an increase of \$285,069 in comparison with the prior year. There is \$876,474 of ending fund balance restricted for Community Development to be used for low and moderate-income housing in the Housing Set-Aside fund. Administrative costs increased 56% compared with 2006 due to increased staffing required to manage increased activities. Capital projects increased 113% from 2006 due to expenditures related to Frishman Hollow infrastructure and Donner Pass Road box culvert capital improvement projects.

FINANCIAL ANALYSIS OF THE REDEVELOPMENT AGENCY FUNDS

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

Governmental Funds. All of the Agency's governmental funds ended the year with positive fund balances. The ending fund balance for all funds is \$1,639,829. Of the total fund balance, \$200,000 is reserved for resale of land, and \$21,395 is reserved for loans receivable. \$1,418,434 or 86.5% is unreserved, which is available for spending at the Town's discretion, within the limitations of the fund's purpose.

**REDEVELOPMENT AGENCY
OF THE TOWN OF TRUCKEE, CALIFORNIA
(A component Unit of the Town of Truckee, California)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Total governmental revenues exceeded expenses by \$1,065,793 primarily as a result of higher than anticipated tax revenues and budgetary savings.

BUDGETARY HIGHLIGHTS

There was a budget variance of \$44,389 for taxes and assessments, which is primarily attributable to higher than expected tax increment revenue received from Nevada County. There was also a budget variance of \$17,048 which is attributable to higher than anticipated interest rates. Intergovernmental revenues budget variance of \$(28,000) is a result of housing grants which were not received.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Agency had total advances from the Town of Truckee outstanding of \$5,102,176.

Agency Outstanding Debt			
	June 30, 2007	June 30, 2006	Change
Advances from Town of Truckee General Fund	\$ 5,102,176	\$ 4,124,106	24%

The Agency's total advance from the Town of Truckee increased by \$978,070 during the current fiscal year as a result of advances from the Town's general fund and accrued unpaid interest. During the 2007 fiscal year the Agency recognized \$7,219 in compensated absences. Additional information on the Agency's advance payable can be found in note 2 on page 19 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

Local property value increases have slowed down slightly compared with fiscal 2006; therefore, property tax increment (approximately 94 percent of Agency-wide revenues) are expected to be only marginally affected by fluctuations in the economy.

Investment interest rates increased from an average of 4.7% to an average of 5.2% during fiscal year 2006-2007.

Both of these factors were considered in preparing the Agency's budget for the fiscal year 2007-2008.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the financial position of the Agency for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, Town of Truckee, 10183 Truckee Airport Road, Truckee, CA 96161-3306.

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FINANCIAL STATEMENTS
Government Wide Financial Statements

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**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and investments	\$ 6,681,102	\$ 6,681,102
Interest receivable	71,831	71,831
Taxes receivable	104,594	104,594
Loans receivable	63,836	63,836
Land held for resale	200,000	200,000
Capital assets:		
Non depreciable assets	5,090	5,090
Total capital assets	5,090	5,090
Total Assets	7,126,453	7,126,453
<u>LIABILITIES</u>		
Accounts payable	336,917	336,917
Unearned revenue	42,441	42,441
Advances from other funds	5,102,176	5,102,176
Long-term liabilities:		
Due within one year	1,611	1,611
Due in more than one year	5,608	5,608
Total Liabilities	5,488,753	5,488,753
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	5,090	5,090
Restricted for capital projects	763,355	763,355
Restricted for other purposes	876,474	876,474
Unrestricted	(7,219)	(7,219)
Total Net Assets	\$ 1,637,700	\$ 1,637,700

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

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Community development	\$ 344,873	\$ -	\$ 18,942	\$ -	\$ (325,931)	\$ (325,931)
Interest on long-term debt	253,070	-	-	-	(253,070)	(253,070)
Total Governmental Activities	\$ 597,943	\$ -	\$ 18,942	\$ -	(579,001)	(579,001)
General revenues:						
Taxes:						
Property taxes					1,397,242	1,397,242
Interest and investment earnings					245,423	245,423
Transfers to the Town of Truckee					(778,595)	(778,595)
Total General Revenues and Transfers					864,070	864,070
Change in Net Assets					285,069	285,069
Net Assets - Beginning					1,352,631	1,352,631
Net Assets - Ending					\$ 1,637,700	\$ 1,637,700

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

FINANCIAL STATEMENTS
Fund Financial Statements

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**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Redevelopment Housing	Redevelopment Capital Projects	Totals
<u>ASSETS</u>			
Cash and investments	\$ 844,582	\$ 5,836,520	\$ 6,681,102
Interest receivable	11,807	60,024	71,831
Taxes receivable	20,266	84,328	104,594
Loans receivable	42,441	21,395	63,836
Land held for resale	-	200,000	200,000
	-	200,000	200,000
Total Assets	\$ 919,096	\$ 6,202,267	\$ 7,121,363
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 181	\$ 336,736	\$ 336,917
Unearned revenue	42,441	-	42,441
Advances from Town of Truckee	-	5,102,176	5,102,176
	-	5,102,176	5,102,176
Total Liabilities	42,622	5,438,912	5,481,534
FUND BALANCES			
Fund balance			
Reserved for:			
Land held for resale	-	200,000	200,000
Loans receivable	-	21,395	21,395
Unreserved, reported in:			
Special revenue funds	876,474	-	876,474
Capital projects funds	-	541,960	541,960
	876,474	541,960	541,960
Total Fund Balances	876,474	763,355	1,639,829
Total Liabilities and Fund Balances	\$ 919,096	\$ 6,202,267	\$ 7,121,363

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

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances	\$ 1,639,829
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	5,090
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(7,219)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,637,700</u></u>

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

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Redevelopment Housing</u>	<u>Redevelopment Capital Projects</u>	<u>Totals</u>
<u>REVENUES</u>			
Taxes and assessments	\$ 350,389	\$ 1,046,853	\$ 1,397,242
Use of money and property	41,048	204,375	245,423
Intergovernmental	-	18,942	18,942
Total Revenues	<u>391,437</u>	<u>1,270,170</u>	<u>1,661,607</u>
<u>EXPENDITURES</u>			
Current:			
Community development	95,552	242,102	337,654
Capital outlay	-	5,090	5,090
Debt service:			
Interest and other charges	-	253,070	253,070
Total Expenditures	<u>95,552</u>	<u>500,262</u>	<u>595,814</u>
Excess of Revenues Over (Under) Expenditures	<u>295,885</u>	<u>769,908</u>	<u>1,065,793</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	-	-
Transfers out	-	-	-
Transfers in (out) from Town of Truckee	<u>(307,448)</u>	<u>(471,147)</u>	<u>(778,595)</u>
Total Other Financing Sources (Uses)	<u>(307,448)</u>	<u>(471,147)</u>	<u>(778,595)</u>
Net Change in Fund Balances	(11,563)	298,761	287,198
Fund Balances - Beginning	<u>888,037</u>	<u>464,594</u>	<u>1,352,631</u>
Fund Balances - Ending	<u>\$ 876,474</u>	<u>\$ 763,355</u>	<u>\$ 1,639,829</u>

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

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 287,198
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 (\$5,090) exceeded depreciation expense (\$0) in the current period.	5,090
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	<u>(7,219)</u>
Change in Net Assets of Governmental Activities	<u>\$ 285,069</u>

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

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.
- 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 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. Nonexchange 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. 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. 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.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

D. Cash and Investments (Continued)

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, 2007, the Truckee Town Council has not entered into any legally binding guarantees to support the participant equity in the investment pool.

E. Receivables

In the government-wide 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 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, 2007, 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 long term loans that are being amortized and retired has been offset with a reserve for loans receivable in fund equity. 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. Capital Assets

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 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.

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.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

I. 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.

J. 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 and advances from the Town of Truckee.

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.

K. 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 social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

L. Net Assets/Fund Balances

Government-Wide 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.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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**
(A Component Unit of the Town of Truckee, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

L. Net Assets/Fund Balances (Continued)

Fund Statements

In the governmental fund financial statements, reserves and designations segregate portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change. The Agency had no designations at June 30, 2007.

The Agency's reserves at June 30, 2007, are comprised of the following:

	<u>General Fund</u>
Reserved for:	
Land held for resale	\$ 200,000
Loans receivable	21,395
Total Reserved	\$ 221,395

A description of reserves follows:

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

Reserved for loans receivable - to reflect the portion of assets which represent long term receivables which do not represent available spendable resources.

M. 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.

N. Expenditures/Expenses

In the government-wide financial statement, 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

O. Interfund Transfers

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 fund balance reserve 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.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

O. Interfund Transfers (Continued)

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.

P. 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. Complete disclosure of Town of Truckee investment policies can be found in the Town annual audited financial statements.

Total Agency cash and investments are as follows:

Investments:	
In Town Treasurer's pool	\$ 6,681,102
Total Cash and Investments	<u>\$ 6,681,102</u>

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.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

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, 2007, was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2007</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ 5,090	\$ -	\$ 5,090
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>5,090</u>	<u>-</u>	<u>5,090</u>
Governmental Activities Capital Assets	<u>\$ -</u>	<u>\$ 5,090</u>	<u>\$ -</u>	<u>\$ 5,090</u>

C. Long Term Liabilities

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences (Note 1K)	\$ -	\$ 7,219	\$ -	\$ 7,219	\$ 1,611
Total Governmental Activities -Long Term Liabilities	<u>\$ -</u>	<u>\$ 7,219</u>	<u>\$ -</u>	<u>\$ 7,219</u>	<u>\$ 1,611</u>

D. Advances From Town of Truckee

The Town of Truckee has advanced funds to the Truckee Redevelopment Agency pursuant to a cooperation agreement. The balance on the advance payable at June 30, 2007 is \$5,102,176.

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.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3: OTHER INFORMATION (CONTINUED)

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, 2007, was as follows:

Ending Balance June 30, 2006	\$ 888,037
Revenue set aside:	
tax increment x .20	350,389
Interest earned	<u>41,048</u>
Total available	1,279,474
Less: Expenditure Allocations	(95,552)
Less: Transfers to Town of Truckee	<u>(307,448)</u>
Ending Balance June 30, 2007	<u>\$ 876,474</u>

C. Transfers to Town of Truckee

Transfers to Town of Truckee were made for capital projects. During the year ended June 30, 2007, the following transfers were made:

Redevelopment Housing	\$ 307,448
Capital projects	<u>471,147</u>
Total Transfers	<u>\$ 778,595</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE, CALIFORNIA**
(A Component Unit of the Town of Truckee, California)
BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT HOUSING - MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 306,000	\$ 306,000	\$ 350,389	\$ 44,389
Use of money and property	24,000	24,000	41,048	17,048
Intergovernmental revenues	28,000	28,000	-	(28,000)
Total Revenues	358,000	358,000	391,437	33,437
<u>EXPENDITURES</u>				
Current:				
Community development	55,736	55,736	95,552	(39,816)
Total Expenditures	55,736	55,736	95,552	(39,816)
Excess of Revenues Over (Under) Expenditures	302,264	302,264	295,885	(6,379)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Transfers in (out) from Town of Truckee	-	-	(307,448)	(307,448)
Total Other Financing Sources (Uses)	-	-	(307,448)	(307,448)
Net Change in Fund Balance	302,264	302,264	(11,563)	(313,827)
Fund Balance - Beginning	888,037	888,037	888,037	-
Fund Balance - Ending	\$ 1,190,301	\$ 1,190,301	\$ 876,474	\$ (313,827)

See the accompanying note to the required supplementary information.

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

BUDGETARY BASIS OF ACCOUNTING

The budget for the Agency is adopted with the Town of Truckee budget. The Town of Truckee follows these procedures annually in establishing the budgetary data reflected in the financial statements:

- (1) The Town Administrator submits to the Town Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- (2) The Town Council reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein, as proposed expenditures become appropriations to the various Town departments. The Town Council may amend the budget by motion during the fiscal year. The Town Administrator may authorize transfers from one object or purpose to another within the same department.

Formal budgetary integration is employed as a management control device during the year. The Town presents a comparison of annual budgets to actual results for the Redevelopment Housing Fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). For the year ended June 30, 2007, the Town had expenditures in excess of appropriations of \$39,816.

OTHER REPORT AND SCHEDULES

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**REPORT 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**

To the Governing Board
Redevelopment Agency of the Town of Truckee
Truckee, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the Town of Truckee (Agency) (a redevelopment agency formed under the laws of the State of California) and a component unit of the Town of Truckee, California as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We also performed the procedures contained in the publication entitled "Guidelines for Compliance Audits of California Redevelopment Agencies" dated November 1998, promulgated by the California State Controller, Division of Local Government Fiscal Affairs, in connection with a review of the Agency's compliance with laws, regulations, and administrative requirements governing activities of the Agency, as required by the Health and Safety Code of the State of California.

This report is intended solely for the information and use of management, the Governing Board, and the State Controller's Office and is not intended and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Smith & Newell". The signature is written in black ink and is positioned above the printed text.

Smith & Newell, CPA's
Yuba City, California
October 25, 2007

**REDEVELOPMENT AGENCY OF THE
TOWN OF TRUCKEE**
(A Component Unit of the Town of Truckee, California)
**STATUS OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

Recommendation	Status/Comment
No findings in the prior year.	

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