



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, 2010



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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, 2010

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
 of the 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 (the Agency), a component unit of the Town of Truckee, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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, the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller, 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Redevelopment Agency of the Town of Truckee as of June 30, 2010, and the respective changes in the 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 December 6, 2010 on our consideration of the Agency's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sacramento, California
 December 6, 2010

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA • Justin J. Williams, CPA, CVA • Neil J. Beeman, CPA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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, 2010.

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the fiscal year ended June 30, 2010, by \$2,701,133.

The Agency's total net assets decreased by \$457,525, including a prior period restatement. This decrease is primarily attributable to the decrease in tax increment received from Nevada County.

The State of California withheld from the Agency under SERAF take-away property taxes in the amount of \$623,720. In fiscal 2011 an additional \$128,290 is budgeted to be taken away from the Agency.

As of June 30, 2010, the Agency's governmental funds reported combined ending fund balances of \$14,003,880, an increase of \$11,104,603 including a prior period restatement in comparison with the prior year. The increase is primarily attributable to the issuance of tax increment bonds during the fiscal year.

The Agency's total liabilities increased by \$9,829,672 during the current fiscal year. The increase was attributable to the net effect of issuance of tax increment bonds in the amount of \$12,470,000 and payment of half of the Town of Truckee's General Fund advance to the agency (\$2,284,261).

The Agency issued down payment assistance loans as well as streetscape improvement loans and one historic preservation loan during fiscal year 2010. The Agency contributed to the Brickelltown Streetscape Project, Donner Pass Road streetscape improvement project, Nevada County West River Street Former Corporation Yard Clean-up, Historic Preservation financial assistance program, Truckee Diner leasehold rights and parking improvements, the Downtown Newsrack Replacement project, and the Brickelltown Interim Sidewalk 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
(A Component Unit of the Town of Truckee, California)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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 13-14 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 17-20 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

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 23-33 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 \$2,701,133 at June 30, 2010.

| | <u>June 30, 2009</u> | <u>June 30, 2010</u> | <u>Change</u> |
|---|----------------------|----------------------|---------------|
| Current and other assets | \$ 8,152,504 | \$ 17,044,600 | 109% |
| Loans receivable | 145,891 | 649,073 | 345% |
| Land held for redevelopment | 200,000 | 200,000 | 0% |
| Non depreciable capital assets | 5,090 | 5,090 | 0% |
| Depreciable capital assets | <u>277,571</u> | <u>254,441</u> | -8% |
| Total assets | <u>8,781,056</u> | <u>18,153,204</u> | |
| Other Liabilities | 594,700 | 455,625 | -23% |
| Due to Town of Truckee | 5,004,418 | 2,284,461 | -54% |
| Long-term liabilities | <u>23,280</u> | <u>12,711,984</u> | 54505% |
| Total liabilities | <u>5,622,398</u> | <u>15,452,070</u> | |
| Invested in Capital Assets | 282,661 | 34,954 | -88% |
| Restricted for capital projects, including unspent bond proceeds | 1,565,045 | 8,911,930 | 469% |
| Restricted for low and moderate housing | 1,334,232 | 1,375,482 | 3% |
| Unrestricted | <u>(23,280)</u> | <u>(7,621,233)</u> | 32637% |
| Total net assets | <u>\$ 3,158,658</u> | <u>\$ 2,701,133</u> | |

Of the Agency's net assets, \$10,287,412 represents resources that are subject to external restrictions on how they may be used.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Governmental Activities. Governmental activities decreased the Agency's net assets by \$595,058 primarily as a result of decreased tax increment due to the SERAF taking of revenues by the State of California and a decline in property tax values in the Agency area.

| | Activities | | Change |
|-------------------------------------|------------------|------------------|--------|
| | June 30, 2009 | June 30, 2010 | |
| General Revenues: | | | |
| Property taxes, RDA tax increment | \$ 1,733,906 | \$ 1,160,578 | -33% |
| Investment Income | 276,562 | 203,985 | -26% |
| Charges for services | - | 90,814 | 100% |
| Intergovernmental | 22,257 | 23,176 | 4% |
| Miscellaneous revenues | - | 1,548 | 100% |
| Transfers from Town of Truckee/HOME | 1,652 | - | -100% |
| Total revenues | 2,034,377 | 1,480,101 | |
| Expenses: | | | |
| Administrative costs | 428,196 | 611,315 | 43% |
| Interest expense | 324,916 | 306,465 | -6% |
| Transfers to Town of Truckee | 619,053 | 1,157,379 | 87% |
| Total Expenses | 1,372,165 | 2,075,159 | |
| Increase (decrease) in net assets | 662,212 | (595,058) | -190% |

As of the end of the current fiscal year, the Agency's net assets of \$2,701,133 reflect a decrease of \$595,058 in comparison with the prior year. There is \$1,375,482 of ending fund balance restricted for Community Development to be used for low and moderate-income housing in the Housing Set-Aside fund. Transfers to the Town increased 87% compared with 2009 due to a higher level of capital projects in the current year.

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 \$14,003,880. Of the total fund balance, \$200,000 is reserved for resale of land. \$13,803,880 or 98.5% is unreserved, which is available for spending at the Agency's discretion, within the limitations of the fund's purpose.

Total governmental expenditures exceeded revenues by \$410,338 primarily as a result of the SERAF revenue take away by the State of California. Capital costs included the Brickelltown Streetscape Project, Donner Pass Road streetscape improvement project, Nevada County West River Street Former Corporation Yard Clean-up, Historic Preservation financial assistance program, Truckee Diner leasehold rights and parking improvements, the Downtown Newsrack Replacement project, and the Brickelltown Interim Sidewalk capital improvement projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

BUDGETARY HIGHLIGHTS

There was a negative budget variance of \$33,448 for taxes and assessments in the final budget which was estimated based on tax increment revenue received from Nevada County. There was also a negative budget variance in interest income of \$25,344 which is attributable to lower than anticipated monies invested through the year as well as lower interest rates. Expenses, excluding capital, were \$18,810 favorable to budget for the year.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Agency had total advances from the Town of Truckee outstanding of \$2,284,461. In February of 2010 the Agency issued \$12,740,000 of tax increment bonds to finance the purchase or construction of capital assets within the Agency boundaries.

Agency Outstanding Debt

| | <u>June 30, 2009</u> | <u>June 30, 2010</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------|
| Advances from Town of Truckee General Fund | \$ 5,004,418 | \$ 2,284,461 | -54% |
| Tax increment bonds, net | - | 12,684,798 | 100% |
| | <u>\$ 5,004,418</u> | <u>\$ 14,969,259</u> | 199% |

The Agency's total advance from the Town of Truckee decreased by \$2,719,957 during the current fiscal year as a result of a payment by the Agency on advances from the Town's general fund. During the 2010 fiscal year the Agency recognized \$27,185 in compensated absences liability. Additional information on the Agency's advance payable can be found in note 2 on page 30 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

Local property value decreased in fiscal year 2010 for the first time in the Agency's history; Agency property tax increment (approximately 87.9 percent of Agency-wide revenues) is expected to be somewhat affected by fluctuations in the economy.

Investment interest rates decreased from an average of 2.6% to an average of .7% during fiscal year 2009-2010.

Both of these factors were considered in preparing the Agency's budget for the fiscal year 2010-2011.

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
(A Component Unit of the Town of Truckee, California)

STATEMENT OF NET ASSETS

JUNE 30, 2010

| <u>ASSETS</u> | <u>Governmental Activities</u> |
|---|---|
| Cash and investments | \$ 7,822,667 |
| Restricted cash and investments | 6,344,271 |
| Cash with fiscal agent | 2,194,450 |
| Accounts receivable | 3 |
| Interest receivable | 80,647 |
| Taxes receivable | 102,829 |
| Prepaid costs and deposits | 3,239 |
| Deferred charges | 496,494 |
| Loans receivable | 649,073 |
| Land held for resale | 200,000 |
| Capital assets: | |
| Non-depreciable assets | 5,090 |
| Depreciable assets, net of depreciation | 254,441 |
| Total capital assets | <u>259,531</u> |
| Total Assets | <u>\$ 18,153,204</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | 442,455 |
| Salaries and benefits payable | 13,170 |
| Advances from other funds | 2,284,461 |
| Long-term liabilities | |
| Due within one year | 39 |
| Due in more than one year | <u>12,711,945</u> |
| Total Liabilities | <u>15,452,070</u> |
| <u>NET ASSETS</u> | |
| Invested in capital assets, net of related debt | 34,954 |
| Restricted for capital projects | 8,911,930 |
| Restricted for low and moderate housing | 1,375,482 |
| Unrestricted | <u>(7,621,233)</u> |
| Total Net Assets | <u>\$ 2,701,133</u> |

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| <u>FUNCTIONS/PROGRAMS</u> | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------------------------|---|---|------------------------------------|--|
| <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | |
| Governmental activities: | | | | | |
| Community development | \$ 611,315 | \$ 90,814 | \$ 23,176 | \$ - | \$ (497,325) |
| Interest on long-term debt | 306,465 | - | - | - | (306,465) |
| Total Governmental Activities | \$ 917,780 | \$ 90,814 | \$ 23,176 | \$ - | \$ (803,790) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 1,160,578 |
| Interest and investment earnings | | | | | 203,985 |
| Miscellaneous revenues | | | | | 1,548 |
| Transfers In from Town of Truckee/HOME | | | | | - |
| Transfers to the Town of Truckee | | | | | (1,157,379) |
| Total General Revenues and Transfers | | | | | 208,732 |
| Change in Net Assets | | | | | (595,058) |
| Net Assets - Beginning, as previously reported | | | | | 3,158,658 |
| Prior period restatement (Note 4) | | | | | 137,533 |
| Net Assets - Beginning, as restated | | | | | 3,296,191 |
| Net Assets - Ending | | | | | \$ 2,701,133 |

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
(A Component Unit of the Town of Truckee, California)

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| <u>ASSETS</u> | <u>Redevelopment Housing</u> | <u>Redevelopment Capital Projects</u> | <u>Totals</u> |
|---|----------------------------------|---|-----------------------------|
| Cash and investments | \$ 1,358,640 | \$ 6,464,027 | \$ 7,822,667 |
| Restricted cash and investments | - | 6,344,271 | 6,344,271 |
| Cash with fiscal agent | - | 2,194,450 | 2,194,450 |
| Accounts receivable | - | 3 | 3 |
| Interest receivable | 4,714 | 75,933 | 80,647 |
| Taxes receivable | 20,499 | 82,330 | 102,829 |
| Prepaid costs and deposits | - | 3,239 | 3,239 |
| Loans receivable | 445,763 | 203,310 | 649,073 |
| Land held for resale | - | 200,000 | 200,000 |
| Total Assets | <u><u>\$ 1,829,616</u></u> | <u><u>\$ 15,567,563</u></u> | <u><u>\$ 17,397,179</u></u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 5,572 | \$ 436,883 | \$ 442,455 |
| Salaries and benefits payable | 2,799 | 10,371 | 13,170 |
| Unearned revenue | 445,763 | 207,450 | 653,213 |
| Advances from Town of Truckee | - | 2,284,461 | 2,284,461 |
| Total Liabilities | <u>454,134</u> | <u>2,939,165</u> | <u>3,393,299</u> |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Land held for resale | - | 200,000 | 200,000 |
| Unreserved, reported in: | | | |
| Special Revenue | | | |
| Undesignated | 1,375,482 | - | 1,375,482 |
| Capital Projects | | | |
| Undesignated | - | 12,428,398 | 12,428,398 |
| Total Fund Balances | <u>1,375,482</u> | <u>12,628,398</u> | <u>14,003,880</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 1,829,616</u></u> | <u><u>\$ 15,567,563</u></u> | <u><u>\$ 17,397,179</u></u> |

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

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE
(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, 2010

| | | |
|---|-----------|-------------------------|
| Total Governmental Fund Balances | \$ | 14,003,880 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | 259,531 |
| Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds. | | 496,494 |
| Adjustment to unearned revenue for long-term loan payments, accrued interest, new loans, and prior period adjustments. | | 653,212 |
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds. | | <u>(12,711,984)</u> |
| Net Assets of Governmental Activities | \$ | <u>2,701,133</u> |

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

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE
(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, 2010

| <u>REVENUES</u> | <u>Redevelopment Housing</u> | <u>Redevelopment Capital Projects</u> | <u>Totals</u> |
|--|----------------------------------|---|----------------------|
| Taxes and assessments | \$ 448,203 | \$ 712,375 | \$ 1,160,578 |
| Use of money and property | 21,977 | 267,948 | 289,925 |
| Intergovernmental revenues | - | 23,176 | 23,176 |
| Other revenues | 21,542 | 5,278 | 26,820 |
| Total Revenues | <u>491,722</u> | <u>1,008,777</u> | <u>1,500,499</u> |
| | | | |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| Community development | 450,472 | 658,026 | 1,108,498 |
| Debt service | | | |
| Interest and other charges | - | 802,339 | 802,339 |
| Total Expenditures | <u>450,472</u> | <u>1,460,365</u> | <u>1,910,837</u> |
| Excess of Revenues Over (Under) Expenditures | <u>41,250</u> | <u>(451,588)</u> | <u>(410,338)</u> |
| | | | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Tax increment bond issuance | - | 12,740,000 | 12,740,000 |
| Discount - tax increment bonds | - | (55,821) | (55,821) |
| Transfers in (out) from Town of Truckee | - | (1,157,379) | (1,157,379) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>11,526,800</u> | <u>11,526,800</u> |
| Net Change in Fund Balances | 41,250 | 11,075,212 | 11,116,462 |
| Fund Balances - Beginning, as previously reported | 1,334,232 | 1,565,045 | 2,899,277 |
| Prior Period Restatement (note 4) | - | (11,859) | (11,859) |
| Fund Balances - Beginning, as restated | <u>1,334,232</u> | <u>1,553,186</u> | <u>2,887,418</u> |
| Fund Balances - Ending | <u>\$ 1,375,482</u> | <u>\$ 12,628,398</u> | <u>\$ 14,003,880</u> |

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

REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE
(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, 2010

The schedule below reconciles the net changes in fund balances reported on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the changes in net assets of governmental activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in Fund Balances - Total Governmental Funds **\$ 11,116,462**

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 (\$0) exceeded depreciation expense (\$23,130) in the current period. (23,130)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the net amount of proceeds less principal repayments.

| | |
|-------------------------|--------------|
| Tax increment bonds | (12,740,000) |
| Original issue discount | 55,821 |
| Costs of issuance | 502,073 |

Repayment of long-term receivables is treated as revenues in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets. Also, interest accrued on long-term loans increases unearned revenue in the governmental funds, but increases revenue in the Statement of Activities.

| | |
|---------------------------------|----------|
| Loan program receipts | (26,465) |
| Loans made during the year | 524,217 |
| Long-term loan interest accrual | 6,068 |

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 | (3,905) |
| Amortization of bond discount and cost of issuance | (6,199) |

Change in Net Assets of Governmental Activities **\$ (595,058)**

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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.

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, 2010

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 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. 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, 2010, 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 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.

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, 2010

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

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, 2010 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 |

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

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 social security and 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.

Fund Financial 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, 2010.

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, 2010

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

The Agency's reserves at June 30, 2010, are comprised of the following:

| | | |
|----------------------|----|---------|
| Reserved for: | | |
| Land held for resale | \$ | 200,000 |
| Total Reserved | \$ | 200,000 |

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.

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.

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 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.

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.

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, 2010

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:

| | |
|---------------------------------------|---------------|
| Cash and Deposits: | |
| Deposits in Town's pool | \$ 27,155 |
| Deposits with fiscal agents | 2,194,450 |
| Total Cash and Deposits | 2,221,605 |
| Investments: | |
| Restricted unspent 2009 Bond Proceeds | 6,344,271 |
| Unrestricted In Agency's pool | 7,795,512 |
| Total Investments in Agency Pool | 14,139,783 |
| Total Cash & Investments | \$ 16,361,388 |

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 \$2,221,605. Of the bank balance, \$786,603 was covered by federal depository insurance and \$1,435,002 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).

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, 2010

NOTE 2: DETAILED NOTES (CONTINUED)

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 |
| LAIIF | No limitations |

As of June 30, 2010, the Agency had the following investments:

| | Maturities | | | Fair Value | Weighted Average Maturity (Years) |
|---------------------------------------|-----------------------|---------------------|--------------|---------------------|---|
| | 0 - 1 year | 1 - 5 years | Over 5 years | | |
| Investments in Investment Pool | | | | | |
| U.S. Government Agency Securities | \$ 585,994 | \$ 7,354,868 | \$ - | \$ 7,940,862 | 1.85 |
| Corporate Notes | - | 2,092,723 | - | 2,092,723 | 1.80 |
| Local Agency Investment Fund (LAIIF) | (2,238,073) | - | - | (2,238,073) | - |
| Total Investments in Investment Pool | <u>\$ (1,652,080)</u> | <u>\$ 9,447,591</u> | <u>\$ -</u> | <u>\$ 7,795,512</u> | <u>2.37</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.

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.

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, 2010

NOTE 2: DETAILED NOTES (CONTINUED)

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

| | Balance July 1, 2009 | Additions/ Adjustments | Retirements/ Adjustments | Balance June 30, 2010 |
|--|-------------------------|---------------------------|-----------------------------|--------------------------|
| 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) |
| Machinery & Equipment | - | (15,968) | - | (15,968) |
| Total Accumulated Depreciation | <u>-</u> | <u>(23,130)</u> | <u>-</u> | <u>(23,130)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>277,571</u> | <u>(23,130)</u> | <u>-</u> | <u>254,441</u> |
| Capital Assets, Net | <u>\$ 282,661</u> | <u>\$ (23,130)</u> | <u>\$ -</u> | <u>\$ 259,531</u> |

Depreciation expense of \$23,130 was charged to the community development function at June 30, 2010.

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 (\$496,494). Long-term liabilities due within one year are net of unamortized discount and refunding difference.

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2010:

| | Balance July 1, 2009 | Additions/ Adjustments | Retirements | Balance June 30, 2010 | Amounts Due Within One Year |
|----------------------------------|-------------------------|---------------------------|-------------------|--------------------------|--------------------------------|
| Tax Increment Revenue Bonds | \$ - | \$ 12,740,000 | \$ - | \$ 12,740,000 | \$ - |
| Less: Unamortized Discount | - | (55,821) | 620 | (55,201) | (1,861) |
| Less: Cost of Issuance | - | (502,073) | 5,579 | (496,494) | (16,736) |
| Tax Increment Revenue Bonds, Net | <u>-</u> | <u>12,182,106</u> | <u>6,199</u> | <u>12,188,305</u> | <u>(18,597)</u> |
| Compensated Absences (Note 1L) | \$ 23,280 | \$ 15,626 | \$ (11,721) | \$ 27,185 | \$ 1,900 |
| Total Long-term Liabilities | <u>\$ 23,280</u> | <u>\$ 12,197,732</u> | <u>\$ (5,522)</u> | <u>\$ 12,215,490</u> | <u>\$ (16,697)</u> |

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, 2010

NOTE 2: DETAILED NOTES (CONTINUED)

As of June 30, 2010 tax increment bonds consisted of the following:

| | Governmental Activities |
|--|----------------------------|
| 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%). | \$ 12,740,000 |
| Total Bonds | \$ 12,740,000 |

The annual aggregate maturities for years subsequent to June 30, 2010 are as follows:

| Tax Increment Bonds | Redevelopment Activities | | | | |
|-----------------------|--------------------------|----------------|------------------------------|---------------|-----------------------------------|
| Year Ended June 30 | Principal | Gross Interest | Less: US Treasury Subsidy | Net Interest | Total Principal & Net Interest |
| 2011 | \$ - | \$ 789,493 | \$ (131,253) | \$ 658,240 | \$ 658,240 |
| 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 |
| 2016-2020 | 580,000 | 3,663,763 | (618,469) | 3,045,294 | 3,625,294 |
| 2021-2025 | 1,205,000 | 3,488,663 | (618,469) | 2,870,194 | 4,075,194 |
| 2026-2030 | 2,070,000 | 3,106,376 | (618,469) | 2,487,907 | 4,557,907 |
| 2031-2035 | 3,180,000 | 2,431,629 | (618,469) | 1,813,160 | 4,993,160 |
| 2036-2040 | 4,525,000 | 1,329,651 | (520,399) | 809,252 | 5,334,252 |
| 2041-2041 | 1,085,000 | 44,447 | (20,001) | 24,446 | 1,109,446 |
| | \$ 12,740,000 | \$17,827,499 | \$ (3,640,305) | \$ 14,187,194 | \$ 26,927,194 |

D. Advances From Town of Truckee

The Town of Truckee has advanced funds to the Truckee Redevelopment Agency pursuant to an intergovernmental loan agreement. The balance on the advance payable at June 30, 2010 is \$2,284,461.

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, 2010

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, 2010, was as follows:

| | | |
|------------------------------------|----|-----------|
| Ending Balance June 30, 2009 | \$ | 1,334,232 |
| Revenue set aside: | | |
| tax increment x .20 | | 448,203 |
| Interest earned | | 21,977 |
| Other revenues | | 21,542 |
| | | 21,542 |
| Total available | | 1,825,954 |
| Less: Expenditure Allocations | | (450,472) |
| Less: Transfers to Town of Truckee | | - |
| | | - |
| Ending Balance June 30, 2010 | \$ | 1,375,482 |

C. Transfers

During the year ended June 30, 2010, the following transfers were made:

| | | |
|------------------------------|----|-----------|
| Transfers to Town of Truckee | | |
| Capital Projects | \$ | 1,157,379 |

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 has signed agreements for \$204,934 for one construction project that was not complete as of June 30, 2010. There was no construction completed and paid subsequent to June 30, 2010 through the date of financial statement preparation on this project. The Agency has no signed agreements for construction projects subsequent to June 30, 2010 through the date of financial statement preparation.

E. Government Accounting Standards Board Statement No. 54

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective to this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Application of this statement is effective for the Agency's fiscal year ending June 30, 2011.

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, 2010

NOTE 3: OTHER INFORMATION (CONTINUED)

F. Redevelopment Agencies

In July 2009, the California Legislature passed ABX4-26 as part of the State's budget package which requires redevelopment agencies to remit approximately \$2.05 billion in redevelopment revenues back to the State. Under ABX4-26, each redevelopment agency must contribute a proportionate share of revenue to the newly created Supplemental Educational Revenue Augmentation Fund (SERAF). The bill authorized redevelopment agencies, from July 1, 2009, to June 30, 2010, to suspend all or part of its required 20% allocation to its Low and Moderate Income Housing Fund in order to make the required payments. The Housing Fund must be repaid by June 30, 2015. If the agency fails to repay the Housing Fund, the required allocation of tax increment to the Housing Fund is increased to 25% for most agencies as long as the project area continues to receive tax increment. This will result in the delay or elimination of many affordable housing projects where redevelopment funding is a key funding component. Payments were to be made in two parts, one in fiscal 2010 and the other in fiscal 2011. In October 2009, the California Redevelopment Association and two of its members filed a lawsuit to challenge the constitutionality of the bill. In May 2010, the ruling was upheld and the California Redevelopment Association submitted for another appeal in August 2010. The appeal seeks repayment of the funds paid out in fiscal 2010 and a prohibition of the funds to be paid in fiscal 2011. A ruling is expected before May 2011, the date redevelopment agencies must make their fiscal 2011 payment to the State. The amount paid to the State from the Agency was \$623,720 in fiscal 2010 and the amount to be paid in fiscal 2011 totals \$128,290. The Town of Truckee Redevelopment Agency did not suspend any part of its required 20% allocation to its Low and Moderate Income Housing Fund.

NOTE 4: PRIOR PERIOD RESTATEMENT

The Agency determined that certain funds had long-term notes receivable which were incorrectly reserved against fund balance, rather than being recorded as deferred revenue. Accordingly, the balance sheet of the fund financial statements has been adjusted to reflect the following prior period restatement.

| Fund | Description of Restatement | Amount |
|----------------------------|--|--------------------|
| <u>Governmental Funds</u> | | |
| RDA Capital | Long-term Loan Receivable previously reserved against fund balance | \$ (11,859) |
| | Total Major Fund Balance Restatement | (11,859) |
| | Total Governmental Fund Balance Restatement | \$ (11,859) |
| <u>Government Wide</u> | | |
| | Description of Restatement | |
| | Fund prior period adjustments | \$ (11,859) |
| | Unearned Revenue adjustments | 149,392 |
| | Total Government Wide Net Assets Restatement | \$ 137,533 |

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REQUIRED SUPPLEMENTARY INFORMATION

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REDEVELOPMENT AGENCY OF THE TOWN OF TRUCKEE
(A Component Unit of the Town of Truckee, California)
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT HOUSING - MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010

| REVENUES | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------------|---------------------|---------------------|---|
| Taxes and assessments | \$ 437,381 | \$ 451,739 | \$ 448,203 | \$ (3,536) |
| Use of money and property | 42,156 | 25,000 | 21,977 | (3,023) |
| Other revenues | - | - | 21,542 | 21,542 |
| Total Revenues | 479,537 | 476,739 | 491,722 | 14,983 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | 680,479 | 535,358 | 450,472 | 84,886 |
| Total Expenditures | 680,479 | 535,358 | 450,472 | 84,886 |
| Excess of Revenues Over (Under) Expenditures | (200,942) | (58,619) | 41,250 | 99,869 |
| Net Change in Fund Balances | (200,942) | (58,619) | 41,250 | 99,869 |
| Fund Balances - Beginning | 1,210,886 | 1,210,886 | 1,334,232 | 123,346 |
| Fund Balances - Ending | \$ 1,009,944 | \$ 1,152,267 | \$ 1,375,482 | \$ 223,215 |

See 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, 2010

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, 2010, the Redevelopment Housing fund had expenditures less than appropriations in the amount of \$84,886.

OTHER REPORTS 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**

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

We have audited the financial statements of the Redevelopment Agency of the Town of Truckee, a component unit of the Town of Truckee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Redevelopment Agency of the Town of Truckee'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 Redevelopment Agency of the Town of Truckee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Redevelopment Agency of the Town of Truckee's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Redevelopment Agency of the Town of Truckee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Agency Board, management, Town Council, others within the entity, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California
 December 6, 2010

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA • Justin J. Williams, CPA, CVA • Neil J. Beeman, CPA

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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, 2010

Recommendation

Status/Comment

No findings in the prior year.