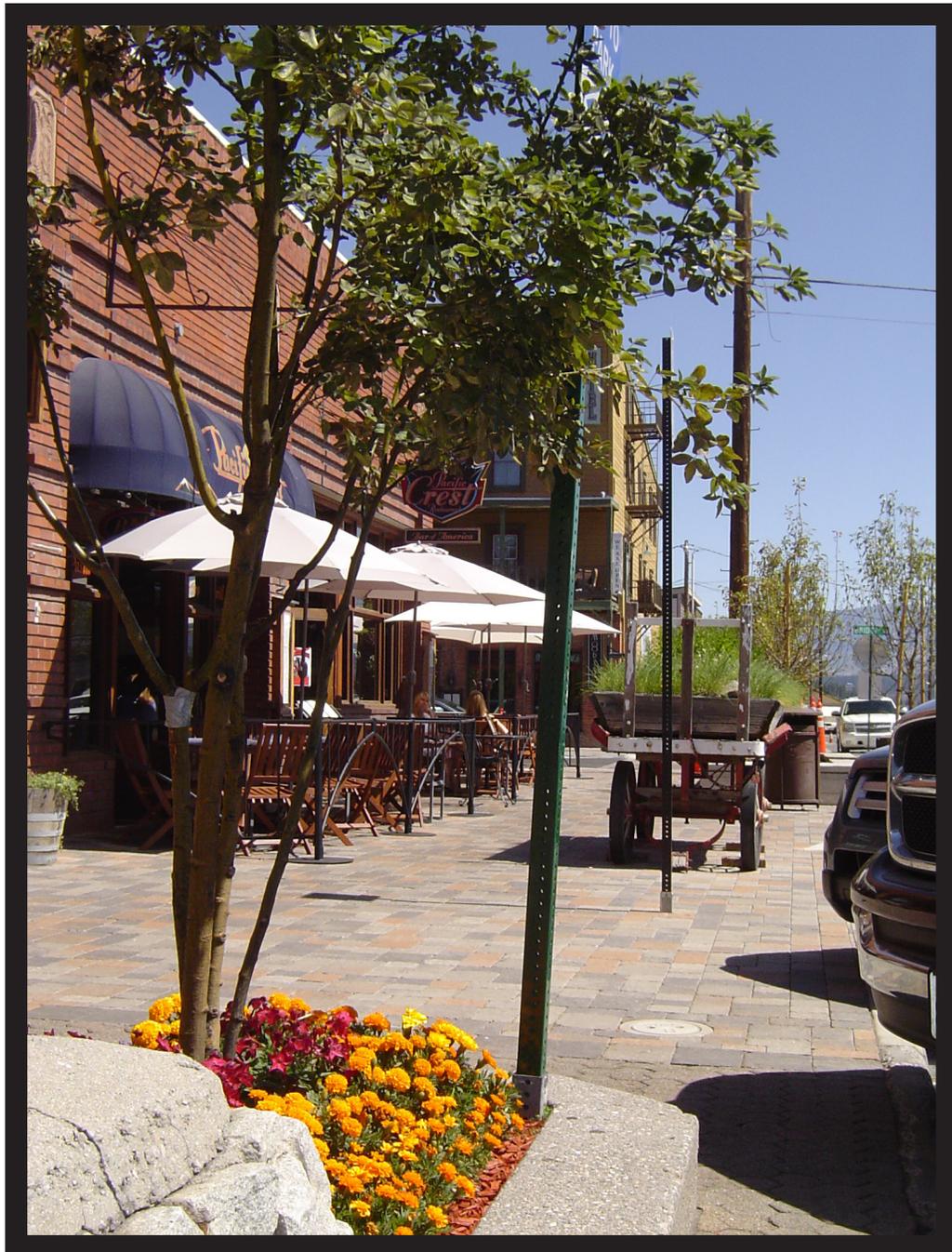


Redevelopment Agency of the Town of Truckee
(A Component Unit of the Town of Truckee, California)

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011



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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, 2011

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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, 2011, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

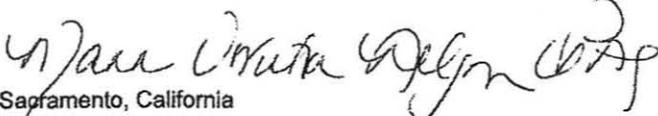
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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.

As explained further in Note 3E, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 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 12, 2011

PRINCIPALS

Chris A. Mann, CPA, CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA

Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA ♦ Kriss Ann Mann, CPA, CCPS ♦ Christine L. Collins, EA

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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, 2011

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, 2011.

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the fiscal year ended June 30, 2011, by \$2,042,186.

The Agency's total net assets decreased by \$658,947, including a prior period restatement. This decrease is primarily attributable to use of funds to pay debt service interest on the 2010 bonds issued for Agency capital projects.

In 2010, 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 was taken away from the Agency under this program.

As of June 30, 2011, the Agency's governmental funds reported combined ending fund balances of \$13,242,377, a decrease of \$761,504 including a prior period restatement in comparison with the prior year.

The Agency's total liabilities decreased by \$2,313,528 during the current fiscal year. The decrease was attributable to the repayment the Town of Truckee's General Fund advance to the Agency (\$2,284,261).

In fiscal 2011 the Agency contributed to the following projects: Brickelltown Streetscape, Trout Creek Restoration, Donner Pass Road/Bridge Street Streetscape, Brickelltown to Gateway Pedestrian Connection, Truckee Depot Streetscape Improvement, West River Site Redevelopment, and the Historic Preservation financial assistance program.

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, 2011

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 as well as a Debt Service Fund. 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, 2011

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 23-34 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 \$2,042,186 at June 30, 2011.

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>Change</u>
Current and other assets	\$ 17,044,600	\$ 13,942,817	-18%
Loans receivable	649,073	801,511	23%
Land held for redevelopment	200,000	200,000	0%
Non depreciable capital assets	5,090	5,090	0%
Depreciable capital assets	254,441	231,310	-9%
Total assets	<u>18,153,204</u>	<u>15,180,728</u>	
Other Liabilities	455,625	419,119	-8%
Due to Town of Truckee	2,284,461	-	-100%
Unearned revenue	-	1,565	100%
Long-term liabilities	12,711,984	12,717,860	0%
Total liabilities	<u>15,452,070</u>	<u>13,138,544</u>	
Invested in Capital Assets	34,954	11,823	-66%
Restricted for capital projects, including unspent bond proceeds	8,911,930	7,072,548	-21%
Restricted for low and moderate housing	1,375,482	1,679,681	22%
Unrestricted	(7,621,233)	(6,721,866)	-12%
Total net assets	<u>\$ 2,701,133</u>	<u>\$ 2,042,186</u>	

Of the Agency's net assets, \$8,752,229 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, 2011

Governmental Activities. Governmental activities decreased the Agency's net assets by \$677,495 primarily as a result of interest payments related to the 2010 bonds.

	Activities		Change
	June 30, 2010	June 30, 2011	
General Revenues:			
Property taxes, RDA tax increment	\$ 1,160,578	\$ 1,546,674	33%
Investment Income	203,985	155,216	-24%
Charges for services	90,814	126,301	39%
Intergovernmental	23,176	33,163	43%
Miscellaneous revenues	1,548	131,284	8381%
Total revenues	<u>1,480,101</u>	<u>1,992,638</u>	
Expenses:			
Administrative costs	611,315	608,031	-1%
Interest expense	306,465	1,105,070	261%
Transfers to Town of Truckee	1,157,379	957,033	-17%
Total Expenses	<u>2,075,159</u>	<u>2,670,134</u>	
Increase (decrease) in net assets	(595,058)	(677,496)	14%

As of the end of the current fiscal year, the Agency's net assets of \$2,042,186 reflect a decrease of \$658,947 in comparison with the prior year including a prior period adjustment. There is \$1,679,681 of ending fund balance restricted for Community Development to be used for low and moderate-income housing in the Housing Set-Aside fund.

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 \$13,242,377. Of the total fund balance, \$200,000 is non-spendable land held for resale. \$13,042,377 or 98.6% 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 \$784,190 primarily as a result of the SERAF revenue take away by the State of California and the interest payments on the 2010 bonds. Capital costs included the Brickelltown Streetscape Project, Donner Pass Road/Bridge Street streetscape project, Truckee Depot Streetscape Improvement Project, Nevada County West River Street Former Corporation Yard Clean-up and the Historic Preservation financial assistance program.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

BUDGETARY HIGHLIGHTS

There was a negative budget variance of \$112,500 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 \$121,000 which is attributable to lower than anticipated monies invested through the year as well as lower interest rates. Expenses, excluding capital, streetscape loan expenditures, developer partnership expenditures and debt, were \$102,408 favorable to budget for the year.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Agency had no advances from the Town of Truckee. This advance was repaid in full in 2011. 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, 2010</u>	<u>June 30, 2011</u>	<u>Change</u>
Advances from Town of Truckee General Fund	\$ 2,284,461	\$ -	-100%
Tax increment bonds, net	<u>12,684,798</u>	<u>12,686,660</u>	0%
	<u>\$ 14,969,259</u>	<u>\$ 12,686,660</u>	-15%

The Agency's total advance from the Town of Truckee decreased by \$2,284,461 during the current fiscal year as a result of a payment by the Agency on advances from the Town's general fund. During the 2011 fiscal year the Agency recognized \$31,200 in compensated absences liability. Additional information on the Agency's long term liabilities can be found in note 2 on page 31 of this report.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. These bills are being challenged and the impacts on the Agency are unknown at this date. See Note 3 E for a complete discussion of these laws and their potential impact on the Agency. The Agency budget does not include any of the potential impacts of these laws.

Local property value decreased in fiscal year 2011 for the second year in a row; Agency property tax increment (approximately 76.8 percent of Agency-wide revenues) is expected to be somewhat affected by fluctuations in the economy. Investment interest rates decreased from an average of .7% to an average of .5% during fiscal year 2010-2011. Both of these factors were considered in preparing the Agency's budget for the fiscal year 2011-2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 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.

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, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and investments	\$ 5,931,032
Restricted cash and investments	5,676,575
Cash with fiscal agent	1,699,243
Accounts receivable	10,000
Interest receivable	45,452
Taxes receivable	100,757
Deferred charges	479,758
Loans receivable	801,511
Land held for resale	200,000
Capital assets:	
Non-depreciable assets	5,090
Depreciable assets, net of depreciation	231,310
Total capital assets	<u>236,400</u>
Total Assets	<u>\$ 15,180,728</u>
<u>LIABILITIES</u>	
Accounts Payable	412,528
Salaries and benefits payable	6,591
Unearned Revenue	1,563
Long-term liabilities	
Due within one year	1,004
Due in more than one year	<u>12,716,855</u>
Total Liabilities	<u>13,138,542</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	11,823
Restricted for capital projects	7,072,548
Restricted for low and moderate housing	1,679,681
Unrestricted	<u>(6,721,866)</u>
Total Net Assets	<u>\$ 2,042,186</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, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 608,031	\$ 126,301	\$ 23,163	\$ 10,000	\$ (448,567)
Interest on long-term debt	<u>1,105,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,105,070)</u>
Total Governmental Activities	<u>\$ 1,713,101</u>	<u>\$ 126,301</u>	<u>\$ 23,163</u>	<u>\$ 10,000</u>	<u>\$ (1,553,637)</u>
General revenues:					
Taxes:					
Property taxes					1,546,674
Interest and investment earnings					155,216
Miscellaneous revenues					131,284
Transfers to the Town of Truckee					<u>(957,033)</u>
Total General Revenues and Transfers					<u>876,141</u>
Change in Net Assets					(677,496)
Net Assets - Beginning, as previously reported					2,701,133
Prior period restatement (Note 4)					18,549
Net Assets - Beginning, as restated					<u>2,719,682</u>
Net Assets - Ending					<u><u>\$ 2,042,186</u></u>

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, 2011

ASSETS	Redevelopment Housing	Redevelopment Capital Projects	Redevelopment Debt Service	Totals
Cash and investments	\$ 1,658,603	\$ 4,272,429	\$ -	\$ 5,931,032
Restricted cash and investments	-	5,676,575	-	5,676,575
Cash with fiscal agent	-	1,699,243	-	1,699,243
Accounts receivable	-	10,000	-	10,000
Interest receivable	3,641	41,811	-	45,452
Taxes receivable	20,094	80,663	-	100,757
Loans receivable	455,637	345,874	-	801,511
Land held for resale	-	200,000	-	200,000
Total Assets	\$ 2,137,975	\$ 12,326,595	\$ -	\$ 14,464,570
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 942	\$ 411,586	\$ -	\$ 412,528
Salaries and benefits payable	1,713	4,878	-	6,591
Unearned revenue	455,639	347,435	-	803,074
Total Liabilities	458,294	763,899	-	1,222,193
 FUND BALANCES				
Nonspendable	-	200,000	-	200,000
Restricted	1,679,681	11,362,696	-	13,042,377
Total Fund Balances	1,679,681	11,562,696	-	13,242,377
 Total Liabilities and Fund Balances	 \$ 2,137,975	 \$ 12,326,595	 \$ -	 \$ 14,464,570

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, 2011

Total Governmental Fund Balances	\$	13,242,377
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.		236,400
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.		479,758
Adjustment to unearned revenue for long-term loan payments, accrued interest, new loans, and prior period adjustments.		801,511
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>(12,717,860)</u>
Net Assets of Governmental Activities	\$	<u>2,042,186</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, 2011

REVENUES	Redevelopment Housing	Redevelopment Capital Projects	Redevelopment Debt Service	Totals
Taxes and assessments	\$ 421,033	\$ 1,125,641	\$ -	\$ 1,546,674
Use of money and property	15,080	251,974	-	267,054
Intergovernmental revenues	-	23,163	-	23,163
Charges for services	-	4,140	-	4,140
Other revenues	-	39,295	131,253	170,548
Total Revenues	436,113	1,444,213	131,253	2,011,579
EXPENDITURES				
Current:				
Community development	131,915	620,348	-	752,263
Debt service				
Interest and other charges	-	296,980	789,493	1,086,473
Total Expenditures	131,915	917,328	789,493	1,838,736
Excess of Revenues Over (Under) Expenditures	304,198	526,885	(658,240)	172,843
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	658,240	658,240
Transfers out	-	(658,240)	-	(658,240)
Transfers (out) to Town of Truckee	-	(957,033)	-	(957,033)
Total Other Financing Sources (Uses)	-	(1,615,273)	658,240	(957,033)
Net Change in Fund Balances	304,198	(1,088,388)	-	(784,190)
Fund Balances - Beginning, as previously reported	1,375,483	12,628,398	-	14,003,881
Prior Period Restatement (note 4)	-	22,686	-	22,686
Fund Balances - Beginning, as restated	1,375,483	12,651,084	-	14,026,567
Fund Balances - Ending	\$ 1,679,681	\$ 11,562,696	\$ -	\$ 13,242,377

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, 2011

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 \$ (784,190)

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 (\$23,131) in the current period. (23,131)

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	(33,301)
Loans made during the year	171,378
Long-term loan interest accrual	14,360

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	(4,015)
Amortization of bond discount and cost of issuance	(18,597)

Change in Net Assets of Governmental Activities \$ (677,496)

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, 2011

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

The Agency reports the following major governmental funds:

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

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

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

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

The Agency does not report any major proprietary funds.

C. Basis of Accounting and Measurement Focus

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

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

D. Cash and Investments

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

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

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

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

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

E. Receivables

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

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

F. Inventory

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

G. Loans Receivable

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

H. Land held for Resale

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

I. Capital Assets

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

J. Unearned Revenue

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

K. Long-Term Debt

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

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

L. Compensated Absences

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

M. Net Assets/Fund Balances

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

N. Taxes and Assessments

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

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

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

O. Expenditures/Expenses

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

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

P. Interfund Transactions

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

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

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

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

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

Q. Estimates

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

NOTE 2: DETAILED NOTES

A. Cash and Investments

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

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

NOTE 2: DETAILED NOTES (CONTINUED)

Total Agency cash and investments are as follows:

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

Deposits

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

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

Investments

The Redevelopment Agency bond proceeds investment policy authorized investments include:

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

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

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

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

NOTE 2: DETAILED NOTES (CONTINUED)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

B. Capital Assets

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

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

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

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

NOTE 2: DETAILED NOTES (CONTINUED)

C. Long Term Liabilities

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

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

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

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

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

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

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

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

NOTE 2: DETAILED NOTES (CONTINUED)

D. Advances From Town of Truckee

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

NOTE 3: OTHER INFORMATION

A. Insurance

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

B. Low and Moderate Housing Obligation

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

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

C. Transfers

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

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

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

D. Construction Commitments

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

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

NOTE 3: OTHER INFORMATION (CONTINUED)

E. Redevelopment Agencies

Recent Changes in Legislation Affecting California Redevelopment Agencies

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

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

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

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized obligation payment schedule ("ROPS") by September 30, 2011.

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

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

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

NOTE 3: OTHER INFORMATION (CONTINUED)

The initial payment by the Town is estimated to be \$795,722 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$187,228 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

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

NOTE 4: PRIOR PERIOD RESTATEMENT

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

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

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, 2011

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes and assessments	\$ 446,483	\$ 446,483	\$ 421,033	\$ (25,450)
Use of money and property	25,000	25,000	15,080	(9,920)
Total Revenues	<u>471,483</u>	<u>471,483</u>	<u>436,113</u>	<u>(35,370)</u>
EXPENDITURES				
Current:				
Community development	679,532	679,532	131,509	548,023
Capital outlay	475	475	406	69
Total Expenditures	<u>680,007</u>	<u>680,007</u>	<u>131,915</u>	<u>548,092</u>
Excess of Revenues Over (Under) Expenditures	<u>(208,524)</u>	<u>(208,524)</u>	<u>304,198</u>	<u>512,722</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(69,130)	(69,130)	-	69,130
Total Other Financing Sources (Uses)	<u>(69,130)</u>	<u>(69,130)</u>	<u>-</u>	<u>69,130</u>
Net Change in Fund Balances	<u>(277,654)</u>	<u>(277,654)</u>	<u>304,198</u>	<u>581,852</u>
 Fund Balances - Beginning	 <u>1,275,612</u>	 <u>1,275,612</u>	 <u>1,375,483</u>	 <u>99,871</u>
Fund Balances - Ending	<u>\$ 997,958</u>	<u>\$ 997,958</u>	<u>\$ 1,679,681</u>	<u>\$ 681,723</u>

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, 2011

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, 2011, the Redevelopment Housing fund had expenditures less than appropriations in the amount of \$548,092.

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 governmental activities and each major fund 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, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 12, 2011

PRINCIPALS

Chris A. Mann, CPA, CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA

Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA ♦ Kriss Ann Mann, CPA, CCPS ♦ Christine L. Collins, EA

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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, 2011

Recommendation

Status/Comment

No findings in the prior year.