

TOWN OF TRUCKEE, CALIFORNIA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**



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TOWN OF TRUCKEE, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

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- List of Officials

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TOWN OF TRUCKEE, CALIFORNIA
TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2012

<u>Name</u>	<u>Office</u>
Joan deRyk Jones	Mayor
Barbara Green	Vice Mayor
Dr. Mark Brown	Councilmember
Carolyn Wallace Dee	Councilmember
Richard Anderson	Councilmember

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FINANCIAL SECTION

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- Independent Auditor's Report
 - Management's Discussion and Analysis
 - Basic Financial Statements
 - Required Supplementary Information
 - Combining Fund Statements and Schedules

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
of the Town of Truckee
Truckee, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Truckee as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Truckee'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

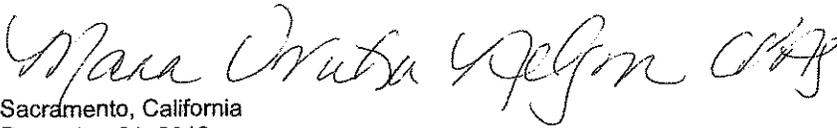
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Truckee, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 6, the California State Legislature has enacted legislation that provides for the dissolution of redevelopment agencies in the State of California. The Redevelopment Agency of the Town of Truckee was a major component unit of the Town. The effects of this legislation are described in further detail in the footnote.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the Town of Truckee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the management's discussion and analysis and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Truckee's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sacramento, California
December 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

This discussion and analysis of the Town of Truckee's (Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying basic financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

The Town's government-wide total assets exceeded liabilities (net assets) at the close of the fiscal year by \$164.1 million. Of this amount, \$34.4 million is in unrestricted net assets, which is available to meet the Town's ongoing commitments to citizens and creditors.

The Town's governmental activities ended the year with total net assets of \$163.4 million. Of this balance, \$34.2 million is unrestricted and available for spending at the Town's discretion.

The Town's General Fund ended the year with a fund balance of \$17.6 million. The restricted balance is \$.1 million. The assigned balance of \$9.5 million is designated for various contingencies and future capital needs and \$8.0 million is unassigned and available for spending at the Town's discretion.

Completed capital projects included the Prosser Dam/State Route 89/Alder Drive roundabout, the Pioneer Trail/Donner Pass Road roundabout, the Corporation Yard/Donner Pass Road turn pocket, Donner Pass Road reconstruction, Donner Pass Road safe routes to schools project, the trail signage project, the Donner Pass Road Road/Bridge Street streetscape improvement project, and the pedestrian connection between Brickelltown and Gateway neighborhoods. Several streets in Old Greenwood and the end of East River Street in downtown Truckee were accepted into the Town's infrastructure. Projects in-process at year end include: Brickelltown Streetscape improvement, the Brockway Road Trail project, the SR89/UPRR Underpass (Mousehole), the Truckee River Trail, Depot Streetscape improvement, Bridge/West River Street streetscape, Tahoe Donner to downtown trail, Glenshire Drive reconstruction, senior housing rehabilitation, the new public service facility, and the new animal shelter.

During fiscal 2012 construction of a Town Animal Shelter was begun. The Shelter is a joint project in conjunction with the Humane Society of Truckee-Tahoe. Construction is expected to be completed in fall of 2013.

On December 29, 2011 the California Supreme Court upheld Assembly Bill 1x26 that provides for the dissolution of all redevelopment agencies in the State effective February 1, 2012. Assets of the former redevelopment agency have been transferred to a fiduciary fund as of that date and reported as an extraordinary gain. The Town will no longer report the activities of the Agency as a component unit in its financial statements, however, the final seven months of operations of the agency are included in the governmental fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements include all activities of the Town of Truckee using the integrated approach as prescribed by GASB Statement No. 34. The Statement of Net Assets and Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements tell how these services are financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

GOVERNMENT- WIDE STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. These statements include all assets and liabilities of the Town using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The Statement of Net Assets presents information on all the Town'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 one indicator of whether the Town's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed in the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported on this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements of the Town are divided as follows:

Governmental Activities: Most of the Town's basic services are included here such as public safety, public works (snow removal, streets and roads), community development, facilities and general government. These services are primarily financed by property and sales taxes, federal and state grants, and development fees.

Business-type Activities: The Town charges fees to customers to cover the costs of services provided. The Town's solid waste removal service, parking, building & safety, Successor Agency and transit services are included in business-type activities.

The government-wide financial statements can be found on pages 15, 16 and 17 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Since the resources of these funds are not available to support the Town's own programs, they are not reflected in the government-wide financial statements. The Statement of Fiduciary Net Assets is on page 34 and includes the assets and liabilities of the Truckee Redevelopment Successor Agency formed in accordance with State law requiring the dissolution of redevelopment agencies.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds, not the Town as a whole. 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. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the Town is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the Town can be classified into three categories: governmental funds, proprietary funds, and fiduciary 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 fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the 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 Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliations between governmental funds and governmental activities. These reconciliations explain the relationship (or differences) between the fund statements and the government-wide statements. The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds. The Town utilizes enterprise funds (one type of proprietary fund) to account for those activities that are supported primarily by user charges to external users, specifically solid waste removal service, parking,

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

building & safety, and transit services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Parking, Solid Waste, Transit and Building divisions. The basic proprietary fund financial statements can be found on pages 28-33 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 37-66 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Below is a table showing the Town's net assets for the fiscal year ended June 30, 2012.

Town of Truckee Net Assets <i>(in thousands of dollars)</i>							
	Governmental Activities		Business-type Activities		Total Activities		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
Current and other assets	\$ 78,084	\$ 62,559	\$ 226	\$ 561	\$ 78,311	\$ 63,120	-19%
Capital assets	107,412	114,123	451	457	107,863	114,580	6%
Total assets	185,496	176,682	677	1,018	186,174	177,700	-5%
Current Liabilities	5,486	2,650	221	304	5,707	2,954	-48%
Long-term debt outstanding	23,503	10,583	68	77	23,571	10,660	-55%
Total liabilities	28,989	13,233	289	381	29,278	13,614	
Net assets							
Invested in capital assets net of related debt	95,854	104,258	451	457	96,305	104,715	9%
Restricted	33,729	24,987	-	-	33,729	24,987	-26%
Unrestricted	26,925	34,204	(63)	180	26,862	34,384	28%
Total net assets	\$ 156,508	\$ 163,449	\$ 388	\$ 637	\$ 156,895	\$ 164,086	

As of June 30, 2012, the Town's government-wide total assets exceeded liabilities (net assets) by \$164.1 million. Governmental activities finished the year with a positive net asset balance, \$163.4 million. Business type activities finished the year with a positive balance of \$.6 million. Net assets as noted earlier may serve over time as a useful indicator of the Town's financial position.

Of the total net assets, \$104.7 million is the Town's investment in capital assets (e.g. land, buildings and improvements, machinery and equipment and the road network) less any related debt used to acquire those assets that is still outstanding. In fiscal 2012, the Town completed construction on the Prosser Dam/State Route 89/Alder Drive roundabout, the Pioneer Trail/Donner Pass Road roundabout, the Corporation Yard/Donner Pass Road turn pocket, Donner Pass Road reconstruction, Donner Pass Road safe routes to schools project, the trail signage project, the Donner Pass Road Road/Bridge Street streetscape improvement project, and the pedestrian connection between Brickelltown and Gateway neighborhoods. Several streets in Old Greenwood and the end of East River Street in downtown Truckee were accepted into the Town's infrastructure.

The Town's long-term liabilities include debt incurred to acquire the Town's administrative facility, debt issued in 2009 for \$5 million to pay for the land purchased for the Public Service Facility and compensated absences payable. The proceeds of the debt issued for the administrative facility and land for the public service facility are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on the general fund assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. See Note 3 D for debt schedules.

Restricted net assets amount to \$24.9 million or 15.2% of total net assets. Restricted net assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

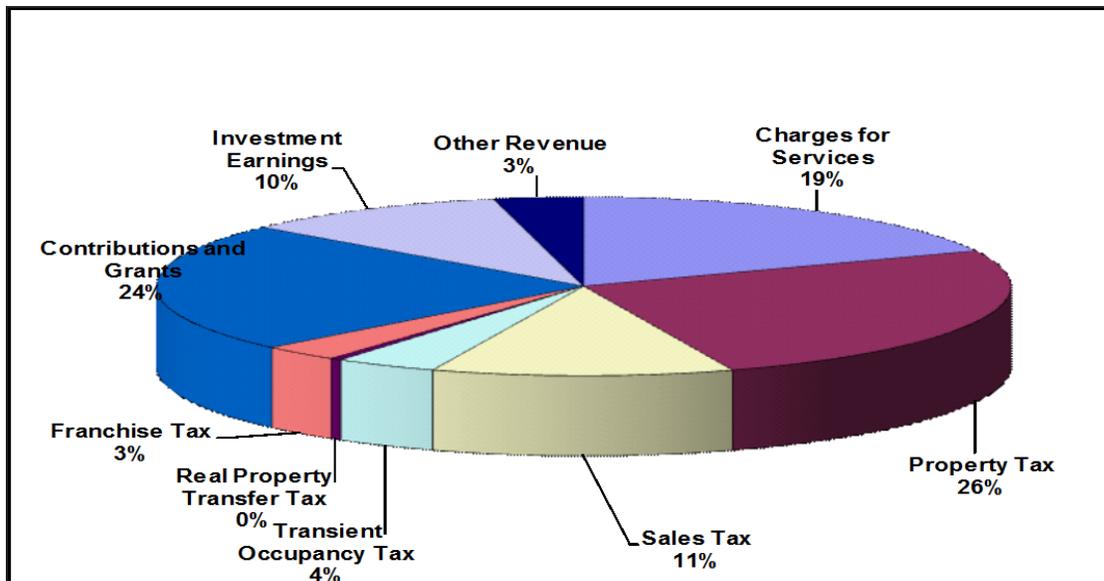
Unrestricted net assets are those resources which may be used to meet the Town's ongoing commitments to citizens and creditors. Government-wide unrestricted net assets are \$34.4 million or 20.9% of the total net assets. Governmental activities account for \$34.2 million or 99.5% of the total unrestricted net assets. Business-type activities account for \$0.18 million or 0.5% of the total. The Town can use unrestricted net assets of the solid waste, parking and transit funds to finance their continuing operations. Negative net assets in the building fund is financed by a loan from the general fund. The building fund revenues increased by 9% due to fee increases and increased permit activity. Building fund expenses were reduced by an additional 0.7% from fiscal 2011. Building division costs have been reduced to minimum levels; continued operational efficiencies will be pursued during the ongoing economic challenges to pursue a recovery to a positive net asset position.

GOVERNMENTAL ACTIVITIES

Governmental activities account for \$163.4 million or 99.6% of the total Government-wide net assets. The following lists key components of net assets and highlights the changes between fiscal 2011 and fiscal 2012 for both Governmental Activities and Business-type Activities:

**Town of Truckee
Changes in Net Assets
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total Activities		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
Revenues							
<i>Program Revenues</i>							
Charges for services	\$ 2,398	\$ 2,403	\$ 3,721	\$ 4,053	\$ 6,119	\$ 6,456	6%
Operating grants and contributions	2,084	2,481	574	685	2,658	3,166	19%
Capital grants and contributions	2,647	3,718	-	-	2,647	3,718	40%
<i>General Revenues</i>							
Property taxes	10,980	8,996	-	-	10,980	8,996	-18%
Sales taxes	3,541	3,964	-	-	3,541	3,964	12%
Transient occupancy tax	1,436	1,351	-	-	1,436	1,351	-6%
Other taxes	1,069	1,177	-	-	1,069	1,177	10%
Investment earnings	1,665	3,529	2	3	1,667	3,532	112%
Other revenue	2,459	2,373	85	111	2,544	2,484	-2%
Total revenues	\$ 28,278	\$ 29,993	\$ 4,381	\$ 4,851	\$ 32,659	\$ 34,844	



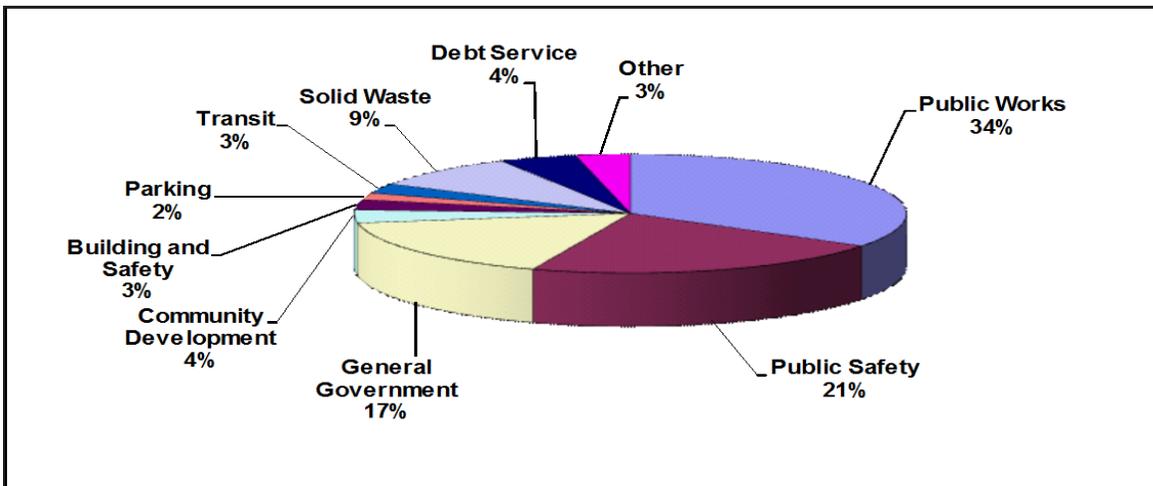
TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Total governmental revenues for the year were \$30.0 million, an increase of \$1.7 million or 6.1% when compared to 2011. The more significant increases in revenues are due to increases in contributed capital, which is included in investment earnings. The Town accepted several roads in the Old Greenwood neighborhood as well as a portion of East River Street in downtown Truckee. In 2012 the Town received \$6.2 million in operating and capital grants and contributions compared with \$4.6 million in 2011. Property tax revenue had a significant decrease of 18% compared with 2011 due to the dissolution of the Town’s former Redevelopment Agency and loss of associated tax increment revenue. Sales taxes had a slight increase compared with 2011, indicating a slight recovery in sales. Taxes, which include property, sales, and other taxes account for \$15.5 million or 51.6% of the Town’s governmental activities revenue. Without capital grants, taxes would be 58.9% of the Town’s governmental activities revenue.

	Governmental Activities		Business-type Activities		Total Activities		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
Expenses							
General government	\$ 3,870	\$ 4,736	\$ -	\$ -	\$ 3,870	\$ 4,736	22%
Public safety	6,112	6,134	-	-	6,112	6,134	0%
Public works	9,376	9,767	-	-	9,376	9,767	4%
Community development	1,367	1,009	-	-	1,367	1,009	-26%
Transit	-	-	790	761	790	761	-4%
Solid Waste	-	-	2,306	2,581	2,306	2,581	12%
Building & Safety	-	-	799	793	799	793	-1%
Parking	-	-	582	529	582	529	-9%
Interest on long-term debt	1,741	1,292	-	-	1,741	1,292	-26%
Other	793	914	-	-	793	914	15%
Total expenses	23,259	23,851	4,477	4,663	27,736	28,515	
Excess (deficiency) before transfers	5,019	6,140	(96)	189	4,923	6,329	
Transfers	(122)	(60)	122	60	-	-	
Extraordinary Items	-	860	-	-	-	860	
Increase (decrease) in net assets	\$ 4,897	\$ 6,940	\$ 26	\$ 249	\$ 4,923	\$ 7,189	



Total governmental expenses for the year were \$23.9 million as compared to \$23.3 million, a 2.7% increase. The most significant increase in expenses is due to general government expenses for the restoration of Trout Creek. There was also an increase in public works capital expenditures due to the completion of the 2011 slurry seal project as well as a higher number of other maintenance projects completed, offset by reduced snow removal costs due to a dry winter.

BUSINESS-TYPE ACTIVITIES

Business-type activities account for \$0.64 million or 0.4% of the total Government-wide net assets. The increase in net assets is the result of a 9% increase in charges for services in parking, solid waste, and building and safety funds. Building and safety continues to have negative net assets which are offset by a loan from the General Fund. New building construction continues to be slow. Due to cost controls and a slight increase in permit revenues building and safety’s revenues exceeded expenditures by \$.13 million. Solid waste revenue increased 10%

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

compared to 2011 due to budgeted rate increases for enhancements in service. Total parking fund revenue increased 3.6% compared to 2011 due to increased meter fees and recovery of past due fees.

FIDUCIARY ACTIVITIES

The Town of Truckee Redevelopment Successor Agency fiduciary fund incurred an extraordinary loss and has a negative net position due to the transfer of assets and liabilities from the former Redevelopment Agency.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds. All of the Town's governmental funds ended the year with positive fund balances except the capital projects fund and one grant fund. The negative fund balance in these funds is due to timing of receipt of grant revenues. The ending fund balance for all funds is \$43.1 million. Of the total fund balance, \$7.5 million or 17.4% is unassigned, which is available for spending at the Town's discretion. See the notes to the financial report, note 1 O for more in-depth discussion of the fund balance designations.

The general fund is the chief operating fund of the Town. As of June 30, 2012 the total fund balance of the general fund was \$17.59 million with \$90,000 restricted for self-insurance, and \$17.5 million in assigned/unassigned funds for contingencies, equipment replacement, facilities construction and capital projects.

Total governmental expenditures, excluding other financing sources/uses, exceeded revenues by \$2.3 million primarily as a result of capital expenditures designated for the new public service facility and spent in the current fiscal year.

Proprietary Funds. The Town's parking, solid waste, and transit funds ended the year with positive unrestricted net assets; the building & safety fund ended the year with negative unrestricted net assets. Building and safety's negative position will be made up as the economy recovers.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budgetary Comparison Schedule is shown on page 67. There were no significant changes to the original budget.

Total actual revenues of \$16.9 million were \$12,899 higher than budgeted revenues. While taxes and assessments, fines and forfeitures, and intergovernmental revenues were lower than budgeted, charges for services exceeded budgeted revenues by \$287,000 due to higher than expected revenue for engineering labor on capital projects.

Actual expenditures were lower than budgeted expenditures as a result of budgetary savings, primarily due to lower than budgeted snow activity during the winter season, unfilled police positions, and deferral of capital project costs into later years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$114.6 million (net of depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and the road network.

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	
Right of way	\$ 42,010	\$ 44,046	\$ -	\$ -	\$ 42,010	\$ 44,046	4.8%
Land	6,965	6,960	-	-	6,965	6,960	-0.1%
Construction in progress	21,581	22,084	10	0	21,591	22,084	2.3%
Buildings and improvements	7,631	7,688	148	251	7,780	7,939	2.0%
Equipment	4,221	3,765	293	206	4,513	3,971	-12.0%
Infrastructure	25,003	29,578	-	-	25,003	29,578	18.3%
TOTALS	\$ 107,411	\$ 114,122	\$ 451	\$ 457	\$ 107,862	\$ 114,578	

Major capital asset additions this year were due to the addition of infrastructure projects still in construction at year end in fiscal 2011, including Brickelltown Streetscape improvement, the Brockway Road Trail project, the SR89/UPRR Underpass (Mousehole), the Truckee River Trail, Depot Streetscape improvement, Bridge/West River Street streetscape, Tahoe Donner to downtown trail, Glenshire Drive reconstruction, senior housing rehabilitation, the new public service facility, and the new animal shelter.

Additional information on the Town's capital assets can be found in note 3 C on page 52.

Long-term Debt. The Town's long-term debt as of June 30, 2012 was \$10.8 million. The majority of the Town's debt is lease revenue bonds used to acquire the Town's current administrative office facility and land for the Public Service Facility. Additional information on the Town's long-term debt, including business-type activities debt, can be found in note 3 D on page 53-54.

General obligation debts are direct obligations of the Town and are backed by the full faith and credit of the Town requiring voter approval, and may have a tax rate set to cover repayment. State statutes limit the amount of general obligation debt to 15% of the Town's total assessed valuation which was \$4,985.0 million in fiscal 2012. The Town of Truckee's debt limit is \$747.8 million. The Town currently has no general obligation debt outstanding.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Town continues to experience very slow residential growth. During the budget process for fiscal 2013 it was estimated that 36 new single-family units would be constructed within the Town, compared with 70 budgeted units and 38 actual units in fiscal 2012. Non-residential growth is estimated to be similar in 2012 when compared to 2011. These factors as well as the changing economy statewide were utilized in developing the Town's revenue estimates.

General Fund expenditures, excluding debt service, overlay reserve and capital expenditures, were projected to decrease approximately 2.82% compared with 2012 budgeted expenditures. Personnel costs were budgeted to decrease 2.71% and included an increase in the employee's partial contribution to CalPERS retirement. Overall service and supply costs are expected to decrease 3.45% above the 2012 budget due to decreased operating costs in nearly every operating department.

The Town's general fund is currently contributing approximately \$1.1 million to the Town's capital programs, excluding funding of the new Animal Shelter, as well as \$.5 million for street overlay maintenance annually. It has almost \$8.2 million in assigned fund balance which includes \$4.2 million (23.3% of revenues) of general fund balance to be assigned for contingencies and \$3.5 million for asphalt overlay as well as a contingency for funding an additional portion of the Animal Shelter should the Truckee Tahoe Humane Society's fundraising fall short of its goals.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town of Truckee's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Administrative Services Director, Town of Truckee, 10183 Truckee Airport Road, Truckee, CA, 96161-3306.

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BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements

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TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 42,701,939	\$ 393,989	\$ 43,095,928
Restricted cash and investments	-	-	-
Cash with fiscal agent	323,312	-	323,312
Accounts receivable	1,281,153	295,728	1,576,881
Interest receivable	147,545	469	148,014
Taxes receivable	1,396,825	-	1,396,825
Internal balances	147,899	(147,899)	-
Due from other governments	350,574	-	350,574
Prepaid costs and deposits	1,595,853	18,554	1,614,407
Deferred charges	167,208	-	167,208
Long-term interest receivables	-	-	-
Loans receivable	14,446,366	-	14,446,366
Land held for resale	-	-	-
Capital assets:			
Non-depreciable assets	73,090,809	-	73,090,809
Depreciable assets, net of depreciation	41,032,628	456,987	41,489,616
Total capital assets	<u>114,123,437</u>	<u>456,987</u>	<u>114,580,425</u>
Total Assets	<u><u>176,682,111</u></u>	<u><u>1,017,828</u></u>	<u><u>177,699,940</u></u>
LIABILITIES			
Accounts payable	1,184,599	277,511	1,462,110
Salaries and benefits payable	308,827	15,720	324,547
Deposits payable	447,352	7,626	454,978
Unearned revenue	352,634	-	352,634
Long-term liabilities			
Due within one year	355,889	2,978	358,867
Due in more than one year	10,561,539	77,013	10,638,552
Other post-employment benefits			
Due in more than one year	21,832	-	21,832
Total Liabilities	<u>13,232,671</u>	<u>380,848</u>	<u>13,613,519</u>
NET ASSETS			
Invested in capital assets, net of related debt	104,258,473	456,987	104,715,460
Restricted for:			
Capital Projects	3,250,002	-	3,250,002
Debt service	253,437	-	253,437
Grants, taxes, and fees	21,483,813	-	21,483,813
Unrestricted	<u>34,203,716</u>	<u>179,993</u>	<u>34,383,709</u>
Total Net Assets	<u><u>\$ 163,449,440</u></u>	<u><u>\$ 636,980</u></u>	<u><u>\$ 164,086,420</u></u>

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

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,736,002	\$ 116,027	\$ 95,320	\$ 949,126
Public safety	6,133,671	411,332	169,473	-
Public works	9,766,794	1,685,754	2,125,015	2,096,310
Community development	1,009,095	189,700	91,190	672,482
Facilities	913,687	-	-	-
Interest on long-term debt	1,292,038	-	-	-
Total Governmental Activities	23,851,286	2,402,813	2,480,998	3,717,918
Business-type activities:				
Parking	528,923	515,571	-	-
Solid waste	2,580,614	2,550,040	6,487	-
Building and safety	792,880	922,415	-	-
Transit	760,952	64,526	678,528	-
Total Business-type Activities	4,663,369	4,052,552	685,015	-
Total	\$ 28,514,655	\$ 6,455,365	\$ 3,166,013	\$ 3,717,918

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net (Expense) Revenue and Changes in Net Assets

FUNCTIONS/PROGRAMS	Governmental Activities	Business-type Activities	Total
Governmental activities:			
General government	\$ (3,575,529)	\$ -	\$ (3,575,529)
Public safety	(5,552,866)	-	(5,552,866)
Public works	(3,859,715)	-	(3,859,715)
Community development	(55,723)	-	(55,723)
Facilities	(913,687)	-	(913,687)
Interest on long-term debt	(1,292,038)	-	(1,292,038)
Total Governmental Activities	(15,249,559)	-	(15,249,559)
Business-type activities:			
Parking	-	(13,352)	(13,352)
Solid waste	-	(24,087)	(24,087)
Building and safety	-	129,535	129,535
Transit	-	(17,898)	(17,898)
Total Business-type Activities	-	74,198	74,198
Total	(15,249,559)	74,198	(15,175,361)
General revenues:			
Taxes:			
Property taxes	8,995,881	-	8,995,881
Sales and use taxes	3,964,180	-	3,964,180
Transient occupancy taxes	1,350,699	-	1,350,699
Property transfer taxes	152,722	-	152,722
Franchise taxes	1,024,698	-	1,024,698
Grants and contributions - unrestricted	1,304,891	-	1,304,891
Interest and investment earnings	3,529,402	2,554	3,531,956
Miscellaneous	1,068,458	111,864	1,180,324
Transfers	(60,292)	60,292	-
Total General Revenues and Transfers	21,330,639	174,710	21,505,351
Extraordinary Items	859,971	-	859,971
Change in Net Assets	6,941,051	248,908	7,189,961
Net Assets - Beginning	156,508,389	388,072	156,896,459
Net Assets - Ending	\$ 163,449,440	\$ 636,980	\$ 164,086,420

Continued (Page 2 of 2)

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

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

TOWN OF TRUCKEE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS	General	Measure A / Measure V	Impact Fees	HOME Grant
Cash and investments	\$ 17,021,474	\$ 6,272,157	\$ 6,714,304	\$ -
Cash with fiscal agent	-	-	-	-
Accounts receivable	148,814	-	-	-
Interest receivable	107,098	13,911	11,453	25
Taxes receivable	1,043,858	260,800	-	-
Due from other funds	350,499	-	-	-
Due from other governments	115,831	-	19,833	-
Prepaid costs and deposits	74,631	-	-	-
Loans receivable	1,447,671	-	-	10,204,883
Total Assets	20,309,876	6,546,868	6,745,590	10,204,908
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	666,113	513	430	-
Salaries and benefits payable	306,062	-	-	-
Deposits payable	200,881	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	1,544,800	-	-	10,204,883
Total Liabilities	2,717,856	513	430	10,204,883
FUND BALANCES (DEFICITS)				
Restricted	90,000	6,546,355	6,745,160	25
Assigned	9,507,433	-	-	-
Unassigned	7,994,587	-	-	-
Total Fund Balances (Deficits)	17,592,020	6,546,355	6,745,160	25
Total Liabilities and Fund Balances	\$ 20,309,876	\$ 6,546,868	\$ 6,745,590	\$ 10,204,908

TOWN OF TRUCKEE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Projects	Town Special Service Areas (TSSA)	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ -	\$ 6,518,972	\$ 6,175,032	\$ 42,701,939
Cash with fiscal agent	-	-	323,312	323,312
Accounts receivable	1,098,178	-	24,441	1,271,433
Interest receivable	-	11,381	3,677	147,545
Taxes receivable	-	38,132	21,387	1,364,177
Due from other funds	-	-	-	350,499
Due from other governments	-	-	214,910	350,574
Prepaid costs and deposits	-	-	-	74,631
Loans receivable	-	-	2,793,812	14,446,366
Total Assets	1,098,178	6,568,485	9,556,571	61,030,476
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	503,208	348	13,987	1,184,599
Salaries and benefits payable	2,765	-	-	308,827
Deposits payable	246,471	-	-	447,352
Due to other funds	17,107	-	185,493	202,600
Unearned revenue	817,152	-	3,194,002	15,760,837
Total Liabilities	1,586,703	348	3,393,482	17,904,215
FUND BALANCES (DEFICITS)				
Restricted	-	6,568,137	2,312,164	22,261,841
Assigned	-	-	3,850,917	13,358,350
Unassigned	(488,525)	-	8	7,506,070
Total Fund Balances (Deficits)	(488,525)	6,568,137	6,163,089	43,126,261
Total Liabilities and Fund Balances	\$ 1,098,178	\$ 6,568,485	\$ 9,556,571	\$ 61,030,476

Continued (Page 2 of 2)

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

TOWN OF TRUCKEE, CALIFORNIA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS -
GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total Governmental Fund Balances	\$ 43,126,261
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
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.	167,208
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	114,123,437
Prepaid costs for animal shelter deposits	146,689
Long-term liabilities, including bonds payable, compensated absences and other post-employment benefits, are not due and payable in the current period and therefore are not reported in the governmental funds.	(10,939,260)
A prior year expenditure for the CalPers side fund payoff is reported as an asset in the Statement of Net Assets, net of amortization.	1,374,533
Adjustment to unearned revenue for grant receivables, long-term loan payments, accrued interest, new loans, and prior period adjustments.	15,408,203
Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available financial resources. In the Statement of Activities, however, revenues and assets are reported regardless of when financial resources are available.	
Accounts receivable	<u>42,368</u>
Net Assets of Governmental Activities	<u>\$ 163,449,440</u>

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

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TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	General	Measure A / Measure V	Impact Fees	HOME Grant
Taxes and assessments	\$ 13,621,368	\$ 1,771,461	\$ -	\$ -
Licenses and permits	35,012	-	-	-
Fines and forfeitures	278,277	-	-	-
Use of money and property	93,727	55,508	52,348	173
Intergovernmental revenues	1,466,392	-	-	-
Charges for services	928,188	-	304,587	-
Other revenues	486,071	-	-	-
Total Revenues	16,909,035	1,826,969	356,935	173
EXPENDITURES				
Current:				
General government	3,002,449	35,153	-	-
Public safety	5,886,109	-	-	-
Public works	4,928,560	-	3,696	-
Community development	636,374	-	-	-
Facilities	909,427	-	-	-
Capital outlay	261,542	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	15,624,461	35,153	3,696	-
Excess of Revenues Over (Under) Expenditures	1,284,574	1,791,816	353,239	173
OTHER FINANCING SOURCES (USES)				
Transfers in	2,204,361	-	-	-
Transfers out	(3,966,315)	(1,995,915)	(111,772)	(22,600)
Total Other Financing Sources (Uses)	(1,761,954)	(1,995,915)	(111,772)	(22,600)
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	(477,380)	(204,099)	241,467	(22,427)
 Beginning Fund Balances	 18,069,400	 6,750,454	 6,503,693	 22,452
Fund Balances (Deficits) - Ending	\$ 17,592,020	\$ 6,546,355	\$ 6,745,160	\$ 25

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Capital Projects	Town Special Service Areas (TSSA)	Other Governmental Funds	Total Governmental Funds
Taxes and assessments	\$ -	\$ -	\$ 2,126,140	\$ 17,518,969
Licenses and permits	-	-	-	35,012
Fines and forfeitures	-	-	42,260	320,537
Use of money and property	837	50,426	46,768	299,787
Intergovernmental revenues	1,284,603	-	1,293,450	4,044,445
Charges for services	-	767,129	192,877	2,192,781
Other revenues	960,381	-	597,337	2,043,789
Total Revenues	2,245,821	817,555	4,298,832	26,455,320
EXPENDITURES				
Current:				
General government	1,144,744	-	1,561	4,183,907
Public safety	-	-	74,186	5,960,295
Public works	1,340,189	12,032	3,697	6,288,174
Community development	-	-	915,507	1,551,881
Facilities	-	-	-	909,427
Capital outlay	7,506,236	-	544,684	8,312,462
Debt service				
Principal	-	-	290,000	290,000
Interest and other charges	-	-	1,278,309	1,278,309
Total Expenditures	9,991,169	12,032	3,107,944	28,774,455
Excess of Revenues Over (Under) Expenditures	(7,745,348)	805,523	1,190,888	(2,319,135)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,279,336	-	1,233,780	10,717,477
Transfers out	(9,367)	(297,576)	(4,374,224)	(10,777,769)
Total Other Financing Sources (Uses)	7,269,969	(297,576)	(3,140,444)	(60,292)
Extraordinary Loss	-	-	(10,783,636)	(10,783,636)
Net Change in Fund Balances	(475,379)	507,947	(12,733,192)	(13,163,063)
Beginning Fund Balances	(13,146)	6,060,190	18,896,281	56,289,324
Fund Balances (Deficits) - Ending	\$ (488,525)	\$ 6,568,137	\$ 6,163,089	\$ 43,126,261

Continued (Page 2 of 2)

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

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, 2012

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 \$ (13,163,063)

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 (\$8,312,462) exceeded depreciation expense (\$4,095,499) in the current period. 4,216,963

Governmental funds do not report infrastructure additions for contributed capital. This is the amount of contributed capital reported as an asset and revenue in the government-wide financial statements. 2,717,387

Some revenues reported in the Statement of Activities will not be collected for several months after the Town's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds (\$1,004,233). Some revenues reported in prior year Statement of Activities were recognized in the governmental funds in current year (\$631,810). 372,423

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 principal repayments. 290,000

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	(23,575)
Loans made during the year	550,940
Long-term loan interest accrual	410,037

An expenditure for utility deposits on a construction project was recorded in governmental funds but is reported as an asset in the Statement of Activities. 146,689

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	(9,554)
Amortization of bond discount, cost of issuance and refunding difference	(13,729)
Other post-employment benefits	(21,832)
Side fund amortization	(175,242)

An extraordinary loss was reported in the governmental funds for the dissolution of the former redevelopment agency, but it did not include the effect of capital asset deletions or long-term debt deletions, which is included in the government-wide financial statements. 11,643,607

Change in Net Assets of Governmental Activities \$ 6,941,051

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

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TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Parking</u>	<u>Solid Waste</u>	<u>Building and Safety</u>
<u>ASSETS</u>			
Current Assets			
Cash and investments	\$ 130,543	\$ 263,346	\$ 100
Accounts receivable, net of allowance	41,088	160,981	117
Interest receivable	210	259	-
Prepaid costs	-	-	18,554
Total Current Assets	<u>171,841</u>	<u>424,586</u>	<u>18,771</u>
Noncurrent Assets			
Capital Assets			
Depreciable capital assets	25,022	36,305	325,301
Less: accumulated depreciation	<u>(15,847)</u>	<u>(20,803)</u>	<u>(319,244)</u>
Total Noncurrent Assets	<u>9,175</u>	<u>15,502</u>	<u>6,057</u>
Total Assets	<u>181,016</u>	<u>440,088</u>	<u>24,828</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	17,921	242,202	12,763
Salaries & benefits payable	3,113	2,199	8,516
Deposits payable	-	-	7,626
Due to other funds	-	-	122,871
Compensated absences	<u>391</u>	<u>525</u>	<u>1,823</u>
Total Current Liabilities	<u>21,425</u>	<u>244,926</u>	<u>153,599</u>
Noncurrent Liabilities			
Compensated absences	<u>14,237</u>	<u>7,640</u>	<u>48,541</u>
Total Noncurrent Liabilities	<u>14,237</u>	<u>7,640</u>	<u>48,541</u>
Total Liabilities	<u>35,662</u>	<u>252,566</u>	<u>202,140</u>
<u>NET ASSETS</u>			
Invested in capital assets	9,175	15,502	6,057
Unrestricted	<u>136,179</u>	<u>172,020</u>	<u>(183,369)</u>
Total Net Assets	<u>\$ 145,354</u>	<u>\$ 187,522</u>	<u>\$ (177,312)</u>

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Transit</u>	<u>Totals</u>
<u>ASSETS</u>		
Current Assets		
Cash and investments	\$ -	\$ 393,989
Accounts receivable, net of allowance	93,542	295,728
Interest receivable	-	469
Prepaid costs	-	18,554
Total Current Assets	<u>93,542</u>	<u>708,740</u>
Noncurrent Assets		
Capital Assets		
Depreciable capital assets	720,787	1,107,415
Less: accumulated depreciation	<u>(294,534)</u>	<u>(650,428)</u>
Total Noncurrent Assets	<u>426,253</u>	<u>456,987</u>
Total Assets	<u>519,795</u>	<u>1,165,727</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	4,625	277,511
Salaries & benefits payable	1,892	15,720
Deposits payable	-	7,626
Due to other funds	25,028	147,899
Compensated absences	<u>239</u>	<u>2,978</u>
Total Current Liabilities	<u>31,784</u>	<u>451,734</u>
Noncurrent Liabilities		
Compensated absences	<u>6,595</u>	<u>77,013</u>
Total Noncurrent Liabilities	<u>6,595</u>	<u>77,013</u>
Total Liabilities	<u>38,379</u>	<u>528,747</u>
<u>NET ASSETS</u>		
Invested in capital assets	426,253	456,987
Unrestricted	<u>55,163</u>	<u>179,993</u>
Total Net Assets	<u>\$ 481,416</u>	<u>\$ 636,980</u>

Continued (Page 2 of 2)

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Parking	Solid Waste	Building and Safety
<u>OPERATING REVENUES</u>			
Charges for services	\$ 430,458	\$ 2,550,040	\$ 922,415
Fines and forfeitures	85,113	-	-
Other revenues	17,816	-	567
Total Operating Revenues	533,387	2,550,040	922,982
<u>OPERATING EXPENSES</u>			
Salaries and benefits	212,994	129,873	515,509
Services and supplies	313,098	2,447,408	272,597
Depreciation	2,831	3,333	4,774
Total Operating Expenses	528,923	2,580,614	792,880
Operating Income (Loss)	4,464	(30,574)	130,102
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Intergovernmental revenues	-	6,487	-
Interest income	957	450	455
Total Non-Operating Revenues (Expenses)	957	6,937	455
Income (Loss) before Transfers	5,421	(23,637)	130,557
Transfers in	60,292	-	-
Change in Net Assets	65,713	(23,637)	130,557
Total Net Assets - Beginning	79,641	211,159	(307,869)
Total Net Assets - Ending	\$ 145,354	\$ 187,522	\$ (177,312)

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Transit	Totals	
<u>OPERATING REVENUES</u>			
Charges for services	\$ 64,526	\$ 3,967,439	
Fines and foreitures	-	85,113	
Other revenues	93,481	111,864	
Total Operating Revenues	158,007	4,164,416	
<u>OPERATING EXPENSES</u>			
Salaries and benefits	67,813	926,189	
Services and supplies	611,539	3,644,642	
Depreciation	81,600	92,538	
Total Operating Expenses	760,952	4,663,369	
Operating Income (Loss)	(602,945)	(498,953)	
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Intergovernmental revenues	678,528	685,015	
Interest income	692	2,554	
Total Non-Operating Revenues (Expenses)	679,220	687,569	
Income (Loss) before Transfers	76,275	188,616	
Transfers in	-	60,292	
Change in Net Assets	76,275	248,908	
Total Net Assets - Beginning	405,141	388,072	
Total Net Assets - Ending	\$ 481,416	\$ 636,980	

Continued (Page 2 of 2)

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Parking</u>	<u>Solid Waste</u>	<u>Building and Safety</u>	<u>Transit</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 525,044	\$ 2,533,012	\$ 923,457	\$ 189,380
Payments to suppliers	(301,125)	(2,379,036)	(282,057)	(610,777)
Payments to employees	(217,334)	(131,315)	(508,981)	(66,600)
Net Cash Provided (Used) by Operating Activities	<u>6,585</u>	<u>22,661</u>	<u>132,419</u>	<u>(487,997)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Intergovernmental revenues received	-	-	-	678,528
Transfers from other funds	60,292	6,487	-	-
Interfund loans received	-	-	-	(92,880)
Interfund loans repaid	-	-	(132,875)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>60,292</u>	<u>6,487</u>	<u>(132,875)</u>	<u>585,648</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	-	-	-	(105,677)
Proceeds from the sale of capital assets	-	-	-	7,334
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,343)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest received on investments	931	446	456	692
Net Cash Provided (Used) by Investing Activities	<u>931</u>	<u>446</u>	<u>456</u>	<u>692</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,808	29,594	-	-
Cash and Cash Equivalents - Beginning of the Year	62,735	233,752	100	-
Cash and Cash Equivalents - End of the Year	<u>\$ 130,543</u>	<u>\$ 263,346</u>	<u>\$ 100</u>	<u>\$ -</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>				
Operating income (loss)	\$ 4,464	\$ (30,574)	\$ 130,102	\$ (602,945)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	2,831	3,333	4,774	81,600
Decrease (increase) in:				
Accounts receivable	(8,343)	(17,028)	1,048	31,373
Prepaid expenses	-	-	(18,554)	-
Increase (decrease) in:				
Accounts payable	11,973	68,372	9,094	762
Salaries and benefits payable	(1,764)	(330)	(1,812)	499
Deposits payable	-	-	(573)	-
Compensated absences	(2,576)	(1,112)	8,340	714
Net Cash Provided by (Used for) Operating Activities	<u>\$ 6,585</u>	<u>\$ 22,661</u>	<u>\$ 132,419</u>	<u>\$ (487,997)</u>

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 4,170,893
Payments to suppliers	(3,572,995)
Payments to employees	(924,230)
Net Cash Provided (Used) by Operating Activities	(326,332)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Intergovernmental revenues received	678,528
Transfers from other funds	66,779
Interfund loans received	(92,880)
Interfund loans repaid	(132,875)
Net Cash Provided (Used) by Noncapital Financing Activities	519,552
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of capital assets	(105,677)
Proceeds from the sale of capital assets	7,334
Net Cash Provided (Used) by Capital and Related Financing Activities	(98,343)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received on investments	2,525
Net Cash Provided (Used) by Investing Activities	2,525
Net Increase (Decrease) in Cash and Cash Equivalents	97,402
Cash and Cash Equivalents - Beginning of the Year	296,587
Cash and Cash Equivalents - End of the Year	\$ 393,989
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (498,953)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	92,538
Decrease (increase) in:	
Accounts receivable	7,050
Prepaid expenses	(18,554)
Increase (decrease) in:	
Accounts payable	90,201
Salaries and benefits payable	(3,407)
Deposits payable	(573)
Compensated absences	5,366
Net Cash Provided by (Used for) Operating Activities	\$ (326,332)

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

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2012

<u>ASSETS</u>	<u>Redevelopment Successor Agency</u>
Cash and cash equivalents	\$ 2,973,469
Investments:	
Held with trustees	7,962,865
Interest receivable	39,266
Deferred charges	463,022
Notes receivable	433,215
Prepaid assets	3,373
Land held for redevelopment	200,000
Capital Assets	
Nondepreciable capital assets	5,090
Depreciable capital assets	217,816
Less: accumulated depreciation	<u>(9,638)</u>
Total Assets	<u>12,288,478</u>
 <u>LIABILITIES</u>	
Accounts payable	6,529
Salaries and benefits payable	3,475
Interest payable	206,777
Unearned revenue	525,543
Long-term liabilities:	
Due within one year	(1,220)
Due in more than one year	<u>12,715,740</u>
Total Liabilities	<u>13,456,844</u>
 <u>NET ASSETS</u>	
Held in trust for other purposes	<u><u>\$ (1,168,366)</u></u>

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

<u>ADDITIONS</u>	Redevelopment Successor Agency
Property taxes	\$ 552,252
Use of money and property	94,902
Other revenue	124,637
Total Additions	771,791
<u>DEDUCTIONS</u>	
Program expenses of former redevelopment agency	556,789
Administrative expenses	109,750
Interest and fiscal agency expenses of former redevelopment agency	206,777
Noncash expenses: depreciation, amortization and loan forgiveness	38,233
Total Deductions	911,549
Extraordinary loss	(1,028,608)
Change in net assets	(1,168,366)
Net Assets - Beginning	-
Net Assets - Ending	\$ (1,168,366)

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BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

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TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

A. Reporting Entity

The Town of Truckee (Town) became a charter city on September 15, 1995 and is governed under the charter and applicable state statutes. The Town operates under a Council form of government and provides the following services: public safety, highways and streets, public improvements, planning and zoning, general administrative services, solid waste, building and safety, parking, and transit.

The governmental reporting entity consists of the Town (Primary Government) and its component units. Component units are legally separate organizations for which the Council is financially accountable or other organizations whose component unit nature and significant relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (i) the Town's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Town.

Reporting for component units on the Town's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Town's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial reporting purposes, the Town's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Town Council.

Blended Component Units

Component units that are blended into the reporting activity types of the Town's report are presented below:

Truckee Redevelopment Agency

The Town of Truckee Redevelopment Agency was organized under the State of California Community Redevelopment Law. The governing body was substantially the same as the primary government and the Town and the component units were financially interdependent, hence, the unit had been presented by blending with the primary government. The Agency was dissolved as of January 31, 2012. The first seven months of operations for the fiscal year are included as a component unit in these financial statements. The Town no longer issues separate financial statements for the Agency or its successor.

Truckee Public Financing Authority

The Truckee Public Financing Authority is a public agency created under a joint exercise of powers agreement between the Town and the agency. The governing body is substantially the same as the primary government and the Town and the component units are financially interdependent, hence, the unit is presented by blending with the primary government. Separate audited financial statements for the Truckee Public Financing Authority are not issued.

Debt of the Truckee Public Financing Authority is shown as long-term debt of the Town.

Discretely Presented Component Units

There are no component units of the Town which meet the criteria for discrete presentation.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government, the Town, and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. 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 different identifiable activity of the Town's business-type activities and for each function of the Town'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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered to be major if it is the primary operating fund of the Town or meets both of 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 or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Town that are not accounted for through other funds. For the Town, the General Fund includes such activities as public safety, community development, and public improvements.
- The Town Special Service Area (TSSA) Funds are collected in certain Town neighborhoods and are available for enhanced road and transportation related maintenance.
- Measure A and V, its successor measure, are special revenue funds used to account for Measure A and V revenues and expenditures. Measures A and V are a ½ percent sales tax which are used to maintain roads and related infrastructure within the Town of Truckee.
- Impact Fees Fund is a special revenue fund used to account for traffic impact fee revenues and expenditures.
- HOME Grant Fund is a special revenue fund used to account for the activity of various HOME Grant programs used to fund long term loans for low/very low housing units.
- The Capital Projects Fund is used to account for the expenditures of most capital projects undertaken by the Town. This fund receives transfers of resources from various Town funds.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

The Town reports the following proprietary funds:

- The Parking Fund is an enterprise fund used to account for the operation of the Town's downtown parking facilities.
- The Solid Waste Fund is an enterprise fund used to account for regular garbage collection services, collection of yard waste, and a mixed paper recycling collection program. Services are provided on a user charge basis to residences and businesses.
- The Building and Safety Fund is an enterprise fund used to account for the operations of the department, enforcing State and Town laws and regulations concerning the safety of structures.
- The Transit Fund is an enterprise fund used to account for the operations of public transportation.

The Town reports the following fiduciary fund:

- The Redevelopment Successor Agency Fund is used to account for the activities of the former Truckee Redevelopment Agency formed in accordance with State law.

C. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund 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 Town 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 sales tax are recognized when the underlying transactions take place. 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 and sales 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.

For its business-type activities and enterprise funds, the Town has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting For Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitute accounting principles generally accepted in the United States of America (GAAP) for governmental units.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, or other governments, or other funds. These funds share characteristics with both the governmental and proprietary funds and therefore use the measurements focus and basis of accounting most appropriate to their specific operations.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the Town's investment pool, to be cash equivalents.

E. Investments

The Town pools cash and investments of all funds except for amounts held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the Town to invest its cash surplus in obligations of the U.S. treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance. Income from non-pooled investments is recorded based on the specific investments held by the fund. 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 annually. 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 a 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.

F. Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions that are collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. User fee receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

G. Interfund Transactions

Interfund transactions are reflected as 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. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." 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 governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

See Note 3 for details of interfund transactions, including receivables and payables at year end.

H. Inventory and Prepaid Costs

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand; these amounts are not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

I. Loans Receivable

For the purpose of the fund financial statements, capital fund and special revenue fund expenditures relating to loans receivable arising from mortgage subsidy programs and other redevelopment related loan programs are charged to operations at the time of funding and the loans receivable are recorded. Loans receivable includes loans for which repayment is deferred or for which repayment may be forgiven if certain terms and conditions of the loans are met.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items), are defined by the Town as an asset with a expected life greater than a year and a cost greater than \$5,000.

Property, plant and equipment have been stated at actual cost. Infrastructure assets, including roads, have been stated at historical cost, beginning with the 1996-97 fiscal year. Contributed capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they 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.

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
Infrastructure	15 - 25 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. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

K. 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. Accounts receivable and amounts due from other governments includes grant and other revenue for which the earning process is complete, but the revenues are not available; in addition, loans receivable, including accrued interest, 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.

L. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide financial statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide financial statements.

M. Compensated Absences

The Town'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

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

absences is recorded as long-term debt in the government-wide financial 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.

N. Net Assets/Fund Balances

The government-wide and business-type activities fund 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 other purposes included \$6,546,355 restricted by enabling legislation (Measures A and V).
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

At June 30, 2012, the Town had recorded restricted net assets in governmental activities as follows:

Restricted for:	
Capital Projects	\$ 3,250,002
Debt Service	253,437
Grants, taxes, and fees	<u>21,483,813</u>
Total Restricted	<u>\$ 24,987,252</u>

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Beginning with fiscal year 2011, the Town 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 Classifications 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 Town Council. Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Town Council. The Town did not have any committed resources as of June 30, 2012.
- *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 Town Council or by an official or body to which the Town Council delegates the authority.
- *Unassigned* – amounts not included in other spendable classifications. Positive amounts are reported only in the General Fund.

Town Council 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 Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fleet equipment, construction, litigation, overlay program, etc.) When an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

As of June 30, 2012, restricted fund balance included:

- Self Insurance Retention - to reflect funds held to cover the deductible on self-insurance programs.
- Debt Service - to reflect funds set aside for future debt service payments.

As of June 30, 2012, assigned fund balance in the following governmental fund:

- General Fund - to reflect the Town Council's intention to set aside funds for general fund contingencies, health insurance cost changes, litigation, and CalPERS rate change contingencies as well as designations related to road maintenance overlay and future construction of animal shelter facility as well as intersection construction.

O. Property Tax Levy, Collection and Maximum Rates

The State of California's (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the County, cities, school districts, and other districts.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

The County of Nevada assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due Dates	November 1 (1st installment) February 1 (2nd installment)	July 1
Delinquent dates	December 10 (1st installment) April 10 (2nd installment)	August 31

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end.

The County of Nevada apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan", as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the Town receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

P. Grant Revenues

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if accrual criteria are met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

Q. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Government Funds - By Character
 - Current (further classified by function)
 - Debt Service
 - Capital Outlay
- Proprietary Fund - By Operating and Non-operating

R. Estimates

The preparation of basic 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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Assets

The following funds had a deficit net asset balance at June 30, 2012:

Major Governmental funds:

The Capital Projects fund had a fund balance deficit at June 30, 2012 of \$488,525 which was caused by uncollected grant revenues for grant expenditures in the fiscal year.

Proprietary funds:

The Building and Safety fund had a net asset deficit of \$177,312, which is expected to be eliminated in future years when the economy improves and building activity increases.

Non-major Special Revenue funds:

The CDBG 10-STBG-6741 nonmajor governmental fund had a fund balance deficit of \$43,102 at June 30, 2012, which was caused by uncollected grant revenues for grant expenditures in the fiscal year.

B. GANN Spending Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation), the Town is restricted as to the amount of annual appropriations from proceeds of taxes, and of proceeds of taxes allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

For the year ended June 30, 2012, the Gann Limit Calculation was calculated based upon the advice of legal counsel to exclude police and animal control services from the appropriations subject to the limit.

NOTE 3: DETAILED NOTES

A. Cash and Investments

Total cash and investments are presented on the Town's financial statements as follows:

Governmental Activities:	
Unrestricted Cash and investments	\$ 42,701,939
Restricted Cash and investments	323,312
Total Governmental Cash and investments	<u>43,025,251</u>
Business Type Activities	393,989
Total Cash and Investments	<u><u>\$ 43,419,240</u></u>

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

Total cash and investments of the Town at fair value are comprised of the following:

Cash and Deposits:	
Cash on hand	\$ 900
Deposits in Town's pool (less outstanding checks)	5,759,791
Deposits with fiscal agents	<u>323,313</u>
Total Cash and Deposits	<u>6,084,004</u>
Investments:	
In Town's pool	<u>37,335,236</u>
Total Investments	<u>37,335,236</u>
Total Cash and Investments	<u>\$ 43,419,240</u>

Deposits

The California Government Code requires California banks and savings and loan associations to collateralize a Town's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of a Town's deposits. California law also allows financial institutions to collateralize Town deposits by pledging first trust deed mortgage notes having a value of 150 percent of a Town's total deposits. The Town 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 Town's cash deposits (including amount in checking accounts and money market accounts) was \$6,084,004 and the bank balance was \$6,573,687. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$857,064 was covered by federal depository insurance and \$5,716,623 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 Town's name).

Investments

The Town adopts an investment policy annually. Authorized investments include:

Investment Category	Standard
Treasury Bills and Notes	No limitations
Federal Agencies	No limitations
Banker's Acceptances	A1/P1 rated; 40% maximum; 30% per issuer; 180 days; 5% per issuer
Commercial Paper	A-1/F1/F-1 rated; and >A-rated long term ratings; 25% maximum; <270 days; 5%
Negotiable CDs	30% maximum; >A-rated issuer; 5% per issuer
Medium Term Notes	30% maximum; >A-rated issuer; 5% per issuer
Money Market Funds	AAA/Aaa rated; assets greater than \$500MM; 20% maximum
Repurchase Agreements	Not currently used
LAIF	No limitations

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

As of June 30, 2012, the Town had the following investments:

	Maturities			Fair Value
	0 - 1 year	1 - 5 years	Over 5 years	
Investments in Investment Pool				
U.S. Government Agency Securities	\$ 4,609,947	\$10,473,013	\$ -	\$ 15,082,960
Corporate Notes	2,396,974	3,891,519	-	6,288,493
Local Agency Investment Fund (LAIF)	15,963,783	-	-	15,963,783
Total Investments in Investment Pool	\$ 22,970,704	\$14,364,531	\$ -	\$ 37,335,236

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 Town are invested in accordance with the investment policies of the Town. Of the Town's \$37,335,236 investment portfolio, over 18% of the investments have a maturity of one year or less. Of the remainder, none have a maturity of more than 5 years. The Town had no investments that were highly sensitive to interest rate fluctuations as of June 30, 2012.

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. State law also limits investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The Town does not have credit limits on U.S. government securities or U.S. government agency securities.

Investments at June 30, 2012	Standard & Poor's	% of Portfolio
Federal Home Loan Mortgage Corporation	AA+	8.1%
Federal Home Loan Bank	AA+	8.4%
Federal National Mortgage Association	AA+	7.5%
Federal Farm Credit Bank	AA+	7.2%
US Treasury	TSY	9.1%
Commercial Paper	A-1+	1.1%
Corporate Obligations	A	5.2%
Corporate Obligations	A-	0.7%
Corporate Obligations	A+	4.1%
Corporate Obligations	AA	1.7%
	AA-	1.0%
Corporate Obligations	AA+	3.2%
LAIF	Unrated	42.7%
Total		100.0%

Custodial Credit Risk

At year end, the Town did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

Concentration of Credit Risk

Over 40% of the Town's investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. Of the 16.8% of the portfolio invested in corporate notes and money market funds, no investment in a single issuer exceeds 1.5%.

Investment in Local Agency Investment Fund

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

At June 30, 2012, the Town's investment position in the State of California Local Agency Investment Fund (LAIF) was \$15,963,783. The total amount invested by all public agencies in LAIF on that day was \$60,612,199,285. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities.

B. Loans Receivable

Loans receivable include notes for down payment assistance and for the purchase of land and the construction of the Frishman Hollow, Henness Flats and Sierra Pines low/very low housing complexes. Loans were funded by various grants and developer contributions.

Loans in governmental funds are treated as expenditures in the year advanced and as revenue in the year repayment is measurable and available. Loans receivable are recorded in the fund statements but are deferred to indicate they do not represent current financial resources. In the government-wide statements, loans receivable are recorded at their net realizable value.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

	Beginning Balance July 1, 2011	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 6,965,160	\$ -	\$ (5,090)	\$ 6,960,070
Right of Way	42,010,355	2,035,950	-	44,046,305
Construction in Progress	21,580,902	7,383,498	(6,879,966)	22,084,434
Total Capital Assets, Not Being Depreciated	<u>70,556,417</u>	<u>9,419,448</u>	<u>(6,885,056)</u>	<u>73,090,809</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	9,921,692	312,151	(85,941)	10,147,902
Equipment	12,369,751	612,390	(388,975)	12,593,165
Infrastructure	40,634,748	7,565,827	-	48,200,575
Total Capital Assets, Being Depreciated	<u>62,926,191</u>	<u>8,490,367</u>	<u>(474,916)</u>	<u>70,941,642</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(2,290,299)	(255,242)	18,501	(2,527,040)
Equipment	(8,148,145)	(849,994)	238,599	(8,759,540)
Infrastructure	(15,632,171)	(2,990,263)	-	(18,622,434)
Total Accumulated Depreciation	<u>(26,070,615)</u>	<u>(4,095,499)</u>	<u>257,100</u>	<u>(29,909,014)</u>
Total Capital Assets, Being Depreciated, Net	36,855,576	4,394,869	(217,816)	41,032,628
Governmental Activities Capital Assets, Net	<u>\$ 107,411,993</u>	<u>\$ 13,814,317</u>	<u>\$ (7,102,872)</u>	<u>\$ 114,123,437</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 10,380	\$ -	\$ (10,380)	\$ 0
Total Capital Assets, Not Being Depreciated	<u>10,380</u>	<u>-</u>	<u>(10,380)</u>	<u>0</u>
Capital Assets, Being Depreciated:				
Structures and improvements	205,212	116,057	-	321,269
Equipment	965,167	-	(179,022)	786,145
Total Capital Assets, Being Depreciated	<u>1,170,379</u>	<u>116,057</u>	<u>(179,022)</u>	<u>1,107,414</u>
Less Accumulated Depreciation For:				
Structures and improvements	(57,037)	(12,892)	-	(69,929)
Equipment	(672,540)	(79,646)	171,689	(580,498)
Total Accumulated Depreciation	<u>(729,577)</u>	<u>(92,538)</u>	<u>171,689</u>	<u>(650,427)</u>
Total Capital Assets, Being Depreciated, Net	440,802	23,519	(7,334)	456,987
Business-Type Activities Capital Assets, Net	<u>\$ 451,182</u>	<u>\$ 23,519</u>	<u>\$ (17,714)</u>	<u>\$ 456,987</u>

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 293,837
Community Development	13,493
Public safety	196,992
Public works	<u>3,591,176</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 4,095,499</u>

Depreciation expense was charged to the business-type functions as follows:

Parking	\$ 2,831
Solid Waste	3,333
Building and Safety	4,774
Transit	<u>81,600</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 92,538</u>

Construction in Progress

Construction in progress for governmental activities relates primarily to work performed on the new Public Service Facility, Animal Shelter, the Truckee River Legacy and Brockway Road Trails, Senior Housing Rehabilitation, Glenshire Drive Reconstruction, the Mousehole project, Streetscape and Roundabout projects.

D. Long-Term Liabilities

Deferred charges (cost of issuance) for the 2009 bond issue are included as an asset in the Government Wide Statement of Net Assets (\$167,208). Deferred charges are made up of current year cost of issuance additions, net of amortization for the lease revenue bonds. Long-term liabilities due within one year are net of unamortized discount and refunding difference. See Note 8, Fiduciary Funds, for detail on the 2010 tax increment bond issuance, which was previously reflected in governmental activities. The outstanding bonds were transferred to the Successor Agency upon the dissolution of the Town of Truckee Redevelopment Agency.

The following is a summary of all long-term liabilities activity for the year ended June 30, 2012:

	Balance July 1, 2011	Additions/ Adjustments	Retirements	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities					
Lease Revenue Bonds	\$ 10,385,000	\$ -	\$ (290,000)	\$ 10,095,000	\$ 300,000
Less: Unamortized Discount	(66,339)	-	3,512	(62,827)	(3,512)
Less: Cost of Issuance	(177,425)	-	10,217	(167,208)	(10,217)
Less: Refunding Difference	-	-	-	-	-
Lease Revenue Bonds, Net	<u>10,141,236</u>	<u>-</u>	<u>(276,271)</u>	<u>9,864,965</u>	<u>286,271</u>
Compensated Absences (Note 1M)	<u>\$ 875,700</u>	<u>811,025</u>	<u>(801,471)</u>	<u>\$ 885,255</u>	<u>59,401</u>
Total Governmental Activities - Long-term Liabilities	<u>\$ 11,016,936</u>	<u>\$ 811,025</u>	<u>\$ (1,077,742)</u>	<u>\$ 10,750,220</u>	<u>\$ 345,672</u>
Business-Type Activities					
Compensated Absences (Note 1M)	<u>\$ 74,625</u>	<u>\$ 59,947</u>	<u>\$ (54,581)</u>	<u>\$ 79,991</u>	<u>\$ 2,978</u>
Total Business-Type Activities - Long-term Liabilities	<u>\$ 74,625</u>	<u>\$ 59,947</u>	<u>\$ (54,581)</u>	<u>\$ 79,991</u>	<u>\$ 2,978</u>

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

As of June 30, 2012 lease revenue bonds consisted of the following:

	Governmental Activities
Lease Revenue Refunding Bonds Series 2005, dated September 21, 2005, in the amount of \$5,670,000, payable in annual installments of \$55,000 to \$390,000, with an interest rate of 3.000% to 4.375% and maturity on November 1, 2030.	\$ 5,290,000
Lease Revenue Bonds Series 2009, dated September 8, 2009, in the amount of \$1,645,000 (Series 2009A) and \$3,355,000 (Series 2009B) for a total issue of \$5,000,000, payable in annual installments of \$95,000 to \$290,000. Series 2009A interest rate of 2.000% to 4.650% and maturity on December 1, 2039 and Series 2009B Build America Bonds (Taxable) interest rate of 7.700% to 7.900% prior to 35% United States Treasury subsidy (net rates of 5.01% to 5.145%), maturing December 1, 2039.	4,805,000
Total Lease Revenue Bonds	\$ 10,095,000

The annual aggregate maturities for years subsequent to June 30, 2012 are as follows:

Lease Revenue Bonds	Governmental Activities				Total Principal & Net Interest
Year Ended June 30	Principal	Gross Interest Revenue Bonds	Less US Treasury Subsidy	Net Interest Revenue Bonds	
2013	\$ 300,000	\$ 523,101	\$ (92,087)	\$ 431,015	\$ 731,015
2014	305,000	514,519	(92,087)	422,432	727,432
2015	315,000	505,254	(92,087)	413,167	728,167
2016	320,000	495,165	(92,087)	403,078	723,078
2017	335,000	484,190	(92,087)	392,103	727,103
2018-2022	1,850,000	2,221,956	(460,434)	1,761,523	3,611,523
2023-2027	2,285,000	1,776,288	(444,331)	1,331,957	3,616,957
2028-2032	2,400,000	1,105,396	(340,836)	764,560	3,164,560
2033-2037	1,155,000	563,073	(197,075)	365,997	1,520,997
2038-2040	830,000	100,330	(35,116)	65,215	895,215
Total	\$ 10,095,000	\$ 8,289,272	\$ (1,938,226)	\$ 6,351,046	\$ 16,446,046

E. Advance Refunding

In prior years, the Town has defeased various debt issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used in part to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was matured. As of November 2011, the defeased debt was paid off.

F. Leases

Operating Leases

Rental expenses incurred under operating leases are not considered material.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

G. Interfund Transactions

Due To/From Other Funds

Operating receivables and payables between funds are classified as due from or due to other funds. Amounts due from other funds includes a loan to the Building Department and amounts due from other funds for loans to fund negative cash balances. Negative cash balances are expected to be funded in subsequent fiscal years by collection of revenues. The following are due to and due from balances as of June 30, 2012:

	Due from Other funds	Due to Other funds
	<u> </u>	<u> </u>
General Fund	\$ 350,499	\$ -
Capital Projects	-	17,107
Nonmajor Governmental Funds	-	185,493
Building and Safety	-	122,871
Transit	-	25,028
	<u> </u>	<u> </u>
Total	<u>\$ 350,499</u>	<u>\$ 350,499</u>

Transfers

Transfers are indicative of funding for or purchase of capital projects, lease payments or debt service, subsidies of various Town operations and re-allocations of special revenues. The following are the interfund transfers for the year ended June 30, 2012:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
General Fund	\$ 2,204,361	\$ 3,966,315
Measure A/Measure V	-	1,995,915
Impact Fees	-	111,772
HOME Grant	-	22,600
Capital Projects	7,279,336	9,367
Assessment Districts	-	297,576
Nonmajor Governmental Funds	1,233,780	4,374,224
Parking	60,292	-
	<u> </u>	<u> </u>
Total	<u>\$ 10,777,769</u>	<u>\$ 10,777,769</u>

NOTE 4: EMPLOYEES' RETIREMENT PLAN

A. Defined Benefit Pension Plan

Plan Description

The Town contributes to the miscellaneous plan of the Town of Truckee and the safety plan of the Town of Truckee (plans) which are part of the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Town participates in the 2.7% at 55 risk pool for miscellaneous employees and the 3.0% at 50 risk pool for safety employees hired prior to July 1, 2011. The Town participates in the 2.5% at 55 risk pool for miscellaneous and 3.0% at 55 risk pool for safety employees hired after that date. The second tier plans also have certain other benefit reductions. PERS acts as

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous plan members are required to contribute 8 percent of their annual covered salary. Safety plan members are required to contribute 9 percent of their annual covered salary. The Town has a variety of agreements regarding these employee contributions to the PERS retirement program. During fiscal year 2011/2012, the Town paid a portion of the employee's contribution on their behalf for employees hired prior to July 1, 2011. The Town is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2011/2012 was 17.875 percent for the 2.7% at 55 plan, 13.652 percent for the 2.5% at 55 plan for miscellaneous employees, 29.235 percent for the 3.0% at 50 plan, and 22.062 percent for the 3.0% at 55 plan for safety employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2011/2012, the Town's annual pension cost of \$838,028 for the miscellaneous plan and \$560,985 for the safety plan was equal to the Town's actual contributions. The required contributions for fiscal year 2011/2012 were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25 percent to 14.45 percent, depending on age, service, and type of employment, and (c) 3.25 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets were determined using techniques that smooth the effect of short term volatility in the market value of investments over a fifteen year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed-20-year period.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	1,376,430	100%	-
June 30, 2011	1,326,851	100%	-
June 30, 2012	1,399,014	100%	-

In fiscal year 2010/2011 the Town paid off the side fund liability to PERS in the amount of \$1,549,775. This side fund was created by the establishment of the Safety plan and the enhancement of benefits for the Miscellaneous plan. The side fund liability was financed by PERS at their assumed rate of return. This pay off reduces future pension costs and will be amortized in the Government Wide statements over ten years for the Miscellaneous plan and seven years for the Safety plan beginning in fiscal year 2011/2012.

Funded Status and Funding Progress

Since the Town has less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool and does not present individual plan funded status.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets for the risk pool is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

B. 457 Plan

The Town maintains deferred compensation plans (the Plan) for its employees. The plan was created in accordance with the Internal Revenue Code Section 457. The Plan is available to all regular Town employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees for withdrawal until termination, retirement, death or unforeseeable emergency. The Town has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The Town has not reflected the Plan's assets and corresponding liabilities (if any) on the accompanying financial statements.

C. Other Post Retirement Benefits (OPEB)

Plan Description

The Town administers a single-employer defined benefit health care plan for its employees. The plan provides medical, dental and vision coverage. As of January 1, 2012, medical coverage is provided through CalPERS under the Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. The PEMHCA plan requires that medical benefits be made available to qualified retirees. Dependent children are covered until age 26. The Town currently has 34 retirees eligible to participate in the plan and 84 active employees who participate in the health plan.

Funding Policy

Employees become eligible to retire under PEMHCA and receive Town-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The Town has selected the unequal contribution method, where it contributes a percent of the amount paid for actives to its eligible retirees. For calendar 2012 this amount is \$1 per month per retiree. Concurrent with implementing the PERS Health Plan the Town Council passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust fund established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed Board not under the control of the Town Council. The Trust is not considered a component unit by the Town and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained for CalPERS at P.O. Box 942709, Sacramento, Ca. 94229-2709.

For the year ended June 30, 2012, the Town's annual cost for the healthcare plan was \$66,858. The Town's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2012 were as follows:

Annual Required Contribution

Service Cost at year end	\$ 42,301
30-year amortization of funded liability	<u>24,557</u>
Total fiscal year required contribution	<u>66,858</u>
Employer contribution during fiscal year	45,026
Net pension obligation July 1, 2011	-
Net pension obligation, June 30, 2012	<u>\$ 21,832</u>

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the health plan, and the net OPEB asset for the fiscal year ended June 30, 2012 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ended OPEB</u>
June 30, 2012	\$66,858	\$45,026	67%	\$21,832

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are based on the values which the Town's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the projected cost sharing between the Town and the employees based on the PERS Health requirements. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2011 actuarial valuation, the Projected Unit Credit Cost Method was used. Demographic assumptions regarding retirement, disability, and turnover are based on statistics taken from pension valuations for California PERS under a 3.0% @ 50 formula for Police employees and a 2.7% @ 55 formula for all other employees. The actuarial assumptions included a 6.39% interest rate if funded, and a 4.25% annual increase to the minimum Town contribution.

NOTE 5: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California (PARSAC) for general liability, vehicle liability, errors and omissions, and workers' compensation and employers' liability purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program. PARSAC is under the control and direction of a 9 member executive committee consisting of representatives of the 36 member cities. The Town pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

Complete audited financial statements of PARSAC can be obtained at 1525 Response Road, Suite One, Sacramento, California 95815-4805.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6: SUCCESSOR AGENCY TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the Town of Truckee that previously reported a redevelopment agency within the reporting entity of the Town as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the Town or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. The Town Council elected to become the Successor Agency for the Redevelopment Agency of the Town of Truckee in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, the redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the former redevelopment agency that been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfer 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 successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due the Town are enforceable obligations payable by the successor agency trust under the requirement of the Bill. The Town's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the Town.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the Town. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a private purpose trust fund in the financial statements of the Town.

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the Town to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private purpose trust fund as an extraordinary loss.

On June 27, 2012, Assembly Bill AB1484 was passed. The bill purports to clarify implementation procedures of AB 1x26.

The bill requires that two "Due Diligence Reviews" take place, one for the Successor Agency's (Successor) housing assets, one for the non-housing assets.

Additionally, AB 1484 clarified the allowable uses of bond proceeds derived from indebtedness obligations that were issued for the purposes of redevelopment projects prior to January 1, 2011, and were backed by the Redevelopment Agency Capital Fund. The proceeds are allowed to be used for enforceable obligations of the former redevelopment agency capital fund.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6: SUCCESSOR AGENCY TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(CONTINUED)

Because of the different measurement focus of the governmental funds (current financial resources management focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary gain recognized in the governmental funds was not the same as the extraordinary loss that was recognized in the private purpose trust fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the government-wide financial statements is reconciled as follows:

Reconciliation of the Extraordinary Gain/(Loss) Reported in the Governmental Funds Statements to the Government-wide Statement of Activities

Extraordinary Loss Reported in the Governmental Funds Statements \$ (10,783,636)

Amounts reported in the statement of activities are different because:

Notes receivable transferred to the Successor Agency as an extraordinary gain was not reported in the governmental fund statements. (340,389)

Capital assets net of depreciation transferred to the Successor Agency as an extraordinary gain was not reported in the governmental fund statements. (222,906)

Long-term debt assumed by the Successor Agency as an extraordinary loss was not reported in the governmental fund statements. 12,206,902

Extraordinary Gain Reported in Statement of Activities \$ 859,971

NOTE 7: OTHER INFORMATION

A. Construction Commitments

The Town has signed agreements for \$2,907,120 in various construction projects that were not complete as of June 30, 2012. Construction completed and paid subsequent to June 30, 2012 on these projects was \$1,148,466. The Town has also signed agreements for construction projects subsequent to June 30, 2012 in the amount of \$7,434,924 of which \$1,428,934 was constructed and paid by the date of financial statement preparation.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8: FIDUCIARY FUNDS

A. Cash and Investments

Total cash and investments are presented on the Agency's financial statements as follows:

Fiduciary Activities:	
Cash and cash equivalents	\$ 2,973,469
Investments	7,962,865
 Total Cash and Investments	 <u>\$ 10,936,334</u>

Total cash and investments of the Agency at fair value are comprised of the following:

Cash and Deposits:	
Cash on hand	\$ -
Deposits in Town's pool (less outstanding checks)	101,538
Deposits with fiscal agents	<u>1,229,260</u>
 Total Cash and Deposits	 <u>1,330,798</u>
Investments:	
In Town's pool	<u>9,605,536</u>
Total Investments	<u>9,605,536</u>
 Total Cash and Investments	 <u>\$ 10,936,334</u>

Deposits

The California Government Code requires California banks and savings and loan associations to collateralize an Agency's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of an 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 an 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 amount in checking accounts and money market accounts) was \$1,330,798 and the bank balance was \$1,330,798. Of the bank balance, \$613,533 was covered by federal depository insurance and \$717,265 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).

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8: FIDUCIARY FUNDS (CONTINUED)

Investments

The 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, 2012, 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	\$ 5,585,917	\$ 844,926	\$ -	\$ 6,430,843	0.33
Corporate Notes	297,716	-	-	297,716	0.02
Local Agency Investment Fund (LAIF)	2,876,977	-	-	2,876,977	-
Total Investments in Investment Pool	<u>\$ 8,760,610</u>	<u>\$ 844,926</u>	<u>\$ -</u>	<u>\$ 9,605,536</u>	<u>0.35</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 invested in accordance with the investment policies of the Agency. Of the Agency's \$9,605,536 investment portfolio, over 91% of the investments have a maturity of one year or less. Of the remainder, none have a maturity of more than 5 years. The Town had no investments that were highly sensitive to interest rate fluctuations as of June 30, 2012.

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. State law also limits investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The Town does not have credit limits on U.S. government securities or U.S. government agency securities.

Investments at June 30, 2012	Standard & Poor's	% of Portfolio
Federal Home Loan Mortgage Corporation	AA+	11.8%
Federal Home Loan Bank	AA+	17.2%
Federal National Mortgage Association	AA+	11.2%
Federal Farm Credit Bank	AA+	12.1%
US Treasury	TSY	14.6%
Corporate Obligations	AA+	3.1%
LAIF	Unrated	30.0%
Total		<u>100.0%</u>

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8: FIDUCIARY FUNDS (CONTINUED)

Custodial Credit Risk

At year end, the Agency did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

Concentration of Credit Risk

Over 66% of the Agency's investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. Of the 3.1% of the portfolio invested in corporate notes and money market funds, no investment in a single issuer exceeds 3.1%.

Investment in Local Agency Investment Fund

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

At June 30, 2012, the Agency's investment position in the State of California Local Agency Investment Fund (LAIF) was \$2,876,977. The total amount invested by all public agencies in LAIF on that day was \$60,612,199,285. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities.

B. Land Held for Resale

The Agency purchased land on West River Street from Nevada County during fiscal years 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. The total value of land held for resale at June 30, 2012 was \$200,000.

C. Loans Receivable

Loans receivable include notes for economic development, improvements to the former Redevelopment Project Area, historical preservation, and down payment assistance.

Loans receivable are recorded at their net realizable value.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8: FIDUCIARY FUNDS (CONTINUED)

D. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

	Beginning Balance <u>February 1, 2012</u>	Additions/ Adjustments	Retirements/ Adjustments	Balance <u>June 30, 2012</u>
Fiduciary Activities				
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:				
Buildings and improvements	67,440	-	-	67,440
Equipment	150,376	-	-	150,376
Total Capital Assets, Being Depreciated	<u>217,816</u>	<u>-</u>	<u>-</u>	<u>217,816</u>
Less Accumulated Depreciation For:				
Buildings and improvements	-	(2,984)	-	(2,984)
Equipment	-	(6,654)	-	(6,654)
Total Accumulated Depreciation	<u>-</u>	<u>(9,638)</u>	<u>-</u>	<u>(9,638)</u>
Total Capital Assets, Being Depreciated, Net	217,816	(9,638)	-	208,178
Fiduciary Activities Capital Assets, Net	<u>\$ 222,906</u>	<u>\$ (9,638)</u>	<u>\$ -</u>	<u>\$ 213,268</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

Community Development	<u>\$ 9,638</u>
Total Depreciation Expense - Fiduciary Functions	<u>\$ 9,638</u>

E. Long-Term Liabilities

Deferred charges (cost of issuance) for the 2010 bond issue are included as an asset in the Statement of Net Assets (\$463,022). Deferred charges are made up of current year cost of issuance additions, net of amortization for the lease revenue bonds. Long-term liabilities due within one year are net of unamortized discount and refunding difference.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8: FIDUCIARY FUNDS (CONTINUED)

The following is a summary of all long-term liabilities activity for the year ended June 30, 2012:

	Balance February 1, 2012	Additions/ Adjustments	Retirements	Balance June 30, 2012	Amounts Due Within One Year
Tax Increment Revenue Bonds	\$ 12,740,000	\$ -	\$ -	\$ 12,740,000	\$ -
Less: Unamortized Discount	(53,340)	-	1,860	\$ (51,480)	\$ (1,860)
Less: Cost of Issuance	(479,758)	-	16,736	\$ (463,022)	\$ (16,736)
Tax Increment Revenue Bonds, Net	12,206,902	-	18,596	12,225,498	(18,596)
Compensated Absences (Note 1M)	\$ 31,200	-	(5,200)	\$ 26,000	640
Total Fiduciary Activities - Long-term Liabilities	<u>\$ 12,238,102</u>	<u>\$ -</u>	<u>\$ 13,396</u>	<u>\$ 12,251,498</u>	<u>\$ (17,956)</u>

As of June 30, 2012 tax increment bonds consisted of the following:

	Fiduciary Activities
Tax Increment Bonds	
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 2010A interest rate of 3.000% to 4.500% and maturity on September 1, 2034 and Series 2010B 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	<u>\$ 12,740,000</u>

The annual aggregate maturities for years subsequent to June 30, 2012 are as follows:

Tax Increment Bonds Year Ended June 30	Community Development Activities				Total Principal & Net Interest
	Principal	Total Gross Interest	Less US Treasury Subsidy	Net Interest	
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	95,000	737,263	(123,694)	613,569	708,569
2018-2022	805,000	3,611,920	(618,469)	2,993,450	3,798,450
2023-2027	1,515,000	3,366,570	(618,469)	2,748,100	4,263,100
2028-2032	2,500,000	2,876,401	(618,469)	2,257,932	4,757,932
2033-2037	3,675,000	2,064,391	(618,469)	1,445,922	5,120,922
2038-2040	3,980,000	667,936	(293,012)	374,923	4,354,923
	<u>\$ 12,740,000</u>	<u>\$ 16,293,980</u>	<u>\$ (3,385,358)</u>	<u>\$ 12,908,622</u>	<u>\$ 25,648,622</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF TRUCKEE, CALIFORNIA
 Required Supplementary Information
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes and assessments	\$ 13,748,161	\$ 13,748,161	\$ 13,621,368	\$ (126,793)
Licenses and permits	31,650	31,650	35,012	3,362
Fines and forfeitures	375,000	375,000	278,277	(96,723)
Use of money and property	94,000	94,000	93,727	(273)
Intergovernmental revenues	1,587,300	1,587,300	1,466,392	(120,908)
Charges for services	641,262	641,262	928,188	286,926
Other revenues	418,763	418,763	486,071	67,308
Total Revenues	16,896,136	16,896,136	16,909,035	12,899
EXPENDITURES				
Current:				
General government	3,244,470	3,273,728	3,002,449	271,279
Public safety	6,008,800	6,008,800	5,886,109	122,691
Public works	5,764,331	5,764,331	4,928,560	835,771
Community development	697,650	697,650	636,374	61,276
Facilities	1,092,428	1,101,588	909,427	192,161
Capital outlay	1,383,726	1,418,726	261,542	1,157,184
Total Expenditures	18,191,405	18,264,823	15,624,461	2,640,362
Excess of Revenues Over (Under) Expenditures	(1,295,269)	(1,368,687)	1,284,574	2,653,261
OTHER FINANCING SOURCES (USES)				
Transfers in	1,953,464	1,953,464	2,204,361	250,897
Transfers out	(2,388,732)	(2,388,732)	(3,966,315)	(1,577,583)
Total Other Financing Sources (Uses)	(435,268)	(435,268)	(1,761,954)	(1,326,686)
Net Change in Fund Balances	(1,730,537)	(1,803,955)	(477,380)	1,326,575
Beginning Fund Balances	15,771,322	15,771,322	18,069,400	2,298,078
Fund Balances - Ending	\$ 14,040,785	\$ 13,967,367	\$ 17,592,020	\$ 3,624,653

See accompanying note to the required supplementary information.

TOWN OF TRUCKEE, CALIFORNIA
 Required Supplementary Information
 BUDGETARY COMPARISON SCHEDULE
 MEASURE A & MEASURE V - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes and assessments	\$ 1,538,404	\$ 1,538,404	\$ 1,771,461	\$ 233,057
Use of money and property	45,000	45,000	55,508	10,508
Total Revenues	<u>1,583,404</u>	<u>1,583,404</u>	<u>1,826,969</u>	<u>243,565</u>
EXPENDITURES				
Current:				
General government	-	-	35,153	(35,153)
Total Expenditures	<u>-</u>	<u>-</u>	<u>35,153</u>	<u>(35,153)</u>
Excess of Revenues Over (Under) Expenditures	<u>1,583,404</u>	<u>1,583,404</u>	<u>1,791,816</u>	<u>208,412</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,814,000)	(2,814,000)	(1,995,915)	818,085
Total Other Financing Sources (Uses)	<u>(2,814,000)</u>	<u>(2,814,000)</u>	<u>(1,995,915)</u>	<u>818,085</u>
Net Change in Fund Balances	(1,230,596)	(1,230,596)	(204,099)	1,026,497
Fund Balances - Beginning	<u>6,587,561</u>	<u>6,587,561</u>	<u>6,750,454</u>	<u>162,893</u>
Fund Balances - Ending	<u>\$ 5,356,965</u>	<u>\$ 5,356,965</u>	<u>\$ 6,546,355</u>	<u>\$ 1,189,390</u>

See accompanying note to the required supplementary information.

TOWN OF TRUCKEE, CALIFORNIA
 Required Supplementary Information
 BUDGETARY COMPARISON SCHEDULE
 IMPACT FEES - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of money and property	\$ 30,000	\$ 30,000	\$ 52,348	\$ 22,348
Charges for services	260,000	260,000	304,587	44,587
Total Revenues	290,000	290,000	356,935	66,935
EXPENDITURES				
Current:				
Public works	-	-	3,696	(3,696)
Total Expenditures	-	-	3,696	(3,696)
Excess of Revenues Over (Under) Expenditures	290,000	290,000	353,239	63,239
OTHER FINANCING SOURCES (USES)				
Transfers out	(935,000)	(935,000)	(111,772)	823,228
Total Other Financing Sources (Uses)	(935,000)	(935,000)	(111,772)	823,228
Net Change in Fund Balances	(645,000)	(645,000)	241,467	886,467
Fund Balances - Beginning	6,181,721	6,181,721	6,503,693	321,972
Fund Balances - Ending	\$ 5,536,721	\$ 5,536,721	\$ 6,745,160	\$ 1,208,439

See accompanying note to the required supplementary information.

TOWN OF TRUCKEE, CALIFORNIA
 Required Supplementary Information
 BUDGETARY COMPARISON SCHEDULE
 HOME GRANT - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Use of money and property	\$ 304	\$ 304	\$ 173	\$ (131)
Intergovernmental revenues	-	-	-	-
Total Revenues	304	304	173	(131)
EXPENDITURES				
Current:				
Community development	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	304	304	173	(131)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(22,600)	(22,600)
Total Other Financing Sources (Uses)	-	-	(22,600)	(22,600)
Net Change in Fund Balances	304	304	(22,427)	(22,731)
Fund Balances - Beginning	22,474	22,474	22,452	(22)
Fund Balances - Ending	\$ 22,778	\$ 22,778	\$ 25	\$ (22,753)

See accompanying note to the required supplementary information.

TOWN OF TRUCKEE, CALIFORNIA
 Required Supplementary Information
 BUDGETARY COMPARISON SCHEDULE
 TOWN SPECIAL SERVICE AREAS - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Charges for services	\$ 765,000	\$ 765,000	\$ 767,129	\$ 2,129
Use of money and property	62,000	62,000	50,426	(11,574)
Total Revenues	<u>827,000</u>	<u>827,000</u>	<u>817,555</u>	<u>(9,445)</u>
EXPENDITURES				
Current:				
Public works	4,400	4,400	12,032	(7,632)
Total Expenditures	<u>4,400</u>	<u>4,400</u>	<u>12,032</u>	<u>(7,632)</u>
Excess of Revenues Over (Under) Expenditures	<u>822,600</u>	<u>822,600</u>	<u>805,523</u>	<u>(17,077)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(583,000)	(583,000)	(297,576)	285,424
Total Other Financing Sources (Uses)	<u>(583,000)</u>	<u>(583,000)</u>	<u>(297,576)</u>	<u>285,424</u>
Net Change in Fund Balances	239,600	239,600	507,947	268,347
Fund Balances - Beginning	<u>5,823,056</u>	<u>5,823,056</u>	<u>6,060,190</u>	<u>237,134</u>
Fund Balances - Ending	<u>\$ 6,062,656</u>	<u>\$ 6,062,656</u>	<u>\$ 6,568,137</u>	<u>\$ 505,481</u>

See accompanying note to the required supplementary information.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

A. BUDGETARY BASIS OF ACCOUNTING

The approved Town procedures for establishing the budgetary data reflected in the financial statements are as follows:

1. Each year, the Finance Department submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.

Public hearings are to be conducted at Town Hall to obtain taxpayer comments.

Generally by the first of July, after adjustment as appropriate by the Town Council, the budget is to be legally enacted through council motion.

2. Council approval is required for transfers between funds, or for an increase in total appropriations. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Formal budgetary integration is employed as a management control device during the year for the General fund, and Special Revenue funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant adjustments.
4. All unused appropriations for budgeted amounts lapse at the end of the year.
5. Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length. A separate document presenting this information is available.

The Town does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The Measure A/Measure V fund had expenditures in excess of appropriations at June 30, 2012 of \$35,153 in general government expenditures but had expenditures less than appropriations in the amount of \$818,085 in the transfers out to the capital projects fund.

The impact fees fund had expenditures in excess of appropriations at June 30, 2012 of \$3,696 in general government expenditures but had expenditures less than appropriations in the amount of \$823,228 in the transfers out to the capital projects fund.

The Home grant fund had expenditures in excess of appropriations at June 30, 2012 of \$22,600 in transfers out to the general fund. The cash balance of this fund was comprised of interest earned over the past several years that was attributable to the general fund. The expenditures were made to correct the allocation of interest.

The Town Special Service Areas fund had expenditures in excess of appropriations at June 30, 2012 of \$7,632 in public works expenditures but had expenditures less than appropriations in the amount of \$285,424 in the transfers out to the capital projects fund.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

C. PERS SCHEDULE OF FUNDING PROGRESS

As of June 30, 2003, retirement plans with less than 100 active members were required to participate in a risk pool. Therefore, the schedule of funding progress for the Town for the June 30, 2003 valuation date and thereafter is for the entire pool not just the Town employees.

Miscellaneous Plan:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liability (Excess Assets) (UL)</u>	<u>Funded Status (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
June 30, 2008	\$ 1,823,366,479	\$ 1,529,548,799	\$ 293,817,680	83.9%	\$ 414,589,514	70.9%
June 30, 2009	2,140,438,884	1,674,260,302	466,178,582	78.2%	440,071,499	105.9%
June 30, 2010	2,297,871,345	1,815,671,616	482,199,729	79.0%	434,023,381	111.1%

Safety Plan:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liability (Excess Assets) (UL)</u>	<u>Funded Status (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
June 30, 2008	\$ 8,700,467,733	\$ 7,464,927,716	\$ 1,235,540,017	85.8%	\$ 914,840,596	135.1%
June 30, 2009	9,721,675,347	8,027,158,724	1,694,516,623	82.6%	973,814,168	174.0%
June 30, 2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%

D. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress for Other Post-Employment Benefits (OPEB)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2011	\$0	\$324,371	\$324,371	0%	\$7,491,719	4%

The Town's health plan did not include post-retirement benefits until January 1, 2012. See note 4 to the financial statements for further discussion.

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COMBINING FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

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TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

ASSETS	Special Revenue Funds	Capital Projects	Debt Service	Totals
Cash and investments	\$ 2,182,508	\$ 3,739,087	\$ 253,437	\$ 6,175,032
Cash with fiscal agent	323,312	-	-	323,312
Accounts receivable	24,441	-	-	24,441
Interest receivable	3,677	-	-	3,677
Taxes receivable	21,387	-	-	21,387
Due from other governments	214,910	-	-	214,910
Loans receivable	2,793,812	-	-	2,793,812
Total Assets	5,564,047	3,739,087	253,437	9,556,571
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	13,427	560	-	13,987
Due to other funds	185,493	-	-	185,493
Unearned revenue	3,194,002	-	-	3,194,002
Total Liabilities	3,392,922	560	-	3,393,482
FUND BALANCES				
Restricted	2,058,727	-	253,437	2,312,164
Assigned	112,390	3,738,527	-	3,850,917
Unassigned	8	-	-	8
Total Fund Balances	2,171,125	3,738,527	253,437	6,163,089
Total Liabilities and Fund Balances	\$ 5,564,047	\$ 3,739,087	\$ 253,437	\$ 9,556,571

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Special Revenue Funds	Capital Projects	Debt Service	Totals
Taxes and assessments	\$ 2,126,140	\$ -	\$ -	\$ 2,126,140
Fines and forfeitures	42,260	-	-	42,260
Use of money and property	46,768	-	-	46,768
Intergovernmental revenues	344,324	949,126	-	1,293,450
Charges for services	192,877	-	-	192,877
Other revenue	244,116	-	353,221	597,337
Total Revenues	2,996,485	949,126	353,221	4,298,832
EXPENDITURES				
Current:				
General government	1,561	-	-	1,561
Public safety	74,186	-	-	74,186
Public works	3,697	-	-	3,697
Community development	915,507	-	-	915,507
Capital outlay	-	544,684	-	544,684
Debt service				
Principal	-	-	290,000	290,000
Interest and other charges	-	-	1,278,309	1,278,309
Total Expenditures	994,951	544,684	1,568,309	3,107,944
Excess of Revenues Over (Under) Expenditures	2,001,534	404,442	(1,215,088)	1,190,888
OTHER FINANCING SOURCES (USES)				
Transfers in	46,415	-	1,187,365	1,233,780
Transfers out	(4,363,227)	-	(10,997)	(4,374,224)
Total Other Financing Sources (Uses)	(4,316,812)	-	1,176,368	(3,140,444)
Extraordinary Loss	(10,783,636)	-	-	(10,783,636)
Net Change in Fund Balances	(13,098,914)	404,442	(38,720)	(12,733,192)
Beginning Fund Balances	15,270,039	3,334,085	292,157	18,896,281
Fund Balances - Ending	\$ 2,171,125	\$ 3,738,527	\$ 253,437	\$ 6,163,089

NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

ASSETS	Asset Forfeiture	Animal Control	Abandoned Vehicle	Affordable Housing In-Lieu
Cash and investments	\$ 51,006	\$ -	\$ 23,502	\$ 15,914
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	-	21	-
Interest receivable	87	-	40	27
Taxes receivable	-	-	-	-
Due from other governments	6,895	-	-	-
Loans receivable	-	-	-	-
Total Assets	57,988	-	23,563	15,941
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted	57,988	-	23,563	15,941
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	57,988	-	23,563	15,941
Total Liabilities and Fund Balances	\$ 57,988	\$ -	\$ 23,563	\$ 15,941

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

ASSETS	Air Quality Mitigation	Downtown in Lieu Parking	Downtown Frontage Improvement	COPS Program
Cash and investments	\$ 179,369	\$ 71,606	\$ 34,135	\$ 276,357
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	24,420	-	-
Interest receivable	306	71	58	511
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	22,522
Loans receivable	-	-	-	-
Total Assets	<u>179,675</u>	<u>96,097</u>	<u>34,193</u>	<u>299,390</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	13,427
Due to other funds	-	-	-	-
Unearned revenue	-	24,420	-	-
Total Liabilities	<u>-</u>	<u>24,420</u>	<u>-</u>	<u>13,427</u>
FUND BALANCES				
Restricted	179,675	71,677	34,193	285,963
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>179,675</u>	<u>71,677</u>	<u>34,193</u>	<u>285,963</u>
Total Liabilities and Fund Balances	<u>\$ 179,675</u>	<u>\$ 96,097</u>	<u>\$ 34,193</u>	<u>\$ 299,390</u>

Continued (Page 2 of 7)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

ASSETS	Housing Reimbursement	Gas Tax	CDBG 09-EDEF- 6535	CDBG 10-STBG- 6741
Cash and investments	\$ -	\$ 16,593	\$ 8	\$ -
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	28	-	-
Taxes receivable	-	21,387	-	-
Due from other governments	-	-	-	185,493
Loans receivable	410,487	-	-	-
Total Assets	410,487	38,008	8	185,493
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	185,493
Unearned revenue	410,487	-	-	43,102
Total Liabilities	410,487	-	-	228,595
FUND BALANCES				
Restricted	-	38,008	-	(43,102)
Assigned	-	-	-	-
Unassigned	-	-	8	-
Total Fund Balances	-	38,008	8	(43,102)
Total Liabilities and Fund Balances	\$ 410,487	\$ 38,008	\$ 8	\$ 185,493

Continued (Page 3 of 7)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

ASSETS	Bond Proceeds Fund	Redevelopment Housing	Redevelopment Capital	Town Housing Fund
Cash and investments	\$ 3	\$ -	\$ -	\$ -
Cash with fiscal agent	323,312	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	-
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	698,664
Total Assets	323,315	-	-	698,664
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	698,664
Total Liabilities	-	-	-	698,664
FUND BALANCES				
Restricted	323,315	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	323,315	-	-	-
Total Liabilities and Fund Balances	\$ 323,315	\$ -	\$ -	\$ 698,664

Continued (Page 4 of 7)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

ASSETS	CDBG Miscellaneous Income	CDBG Program Income	Boulders Moderate Housing	CDBG Housing Rehab
Cash and investments	\$ 112,220	\$ 142,185	\$ 312,863	\$ 4,039
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	170	234	532	10
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	-	98,561	874,589	56,652
Total Assets	112,390	240,980	1,187,984	60,701
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	98,560	970,804	56,652
Total Liabilities	-	98,560	970,804	56,652
FUND BALANCES				
Restricted	-	142,420	217,180	4,049
Assigned	112,390	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	112,390	142,420	217,180	4,049
Total Liabilities and Fund Balances	\$ 112,390	\$ 240,980	\$ 1,187,984	\$ 60,701

Continued (Page 5 of 7)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

<u>ASSETS</u>	<u>CalHome Grant</u>	<u>CDBG 04-EDBG- 1022</u>	<u>Homeowners Downpayment Assistance</u>	<u>Impact Fees Miscellaneous</u>
Cash and investments	\$ 135,457	\$ 79	\$ 261,168	\$ 546,004
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	157	18	443	985
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	645,042	9,817	-	-
Total Assets	<u>780,656</u>	<u>9,914</u>	<u>261,611</u>	<u>546,989</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	770,847	9,817	110,649	-
Total Liabilities	<u>770,847</u>	<u>9,817</u>	<u>110,649</u>	<u>-</u>
FUND BALANCES				
Restricted	9,809	97	150,962	546,989
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>9,809</u>	<u>97</u>	<u>150,962</u>	<u>546,989</u>
Total Liabilities and Fund Balances	<u>\$ 780,656</u>	<u>\$ 9,914</u>	<u>\$ 261,611</u>	<u>\$ 546,989</u>

Continued (Page 6 of 7)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

<u>ASSETS</u>	<u>Totals</u>
Cash and investments	\$ 2,182,508
Cash with fiscal agent	323,312
Accounts receivable	24,441
Interest receivable	3,677
Taxes receivable	21,387
Due from other governments	214,910
Loans receivable	2,793,812
Total Assets	<u>5,564,047</u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES	
Accounts payable	13,427
Due to other funds	185,493
Unearned revenue	3,194,002
Total Liabilities	<u>3,392,922</u>
FUND BALANCES	
Restricted	2,058,727
Assigned	112,390
Unassigned	<u>8</u>
Total Fund Balances	<u>2,171,125</u>
Total Liabilities and Fund Balances	<u>\$ 5,564,047</u>

Continued (Page 7 of 7)

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TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Asset Forfeiture	Animal Control	Abandoned Vehicle	Affordable Housing In-Lieu
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	42,260	-	-	-
Use of money and property	356	-	189	132
Intergovernmental revenues	-	-	-	-
Charges for services	-	145	1,350	-
Other revenue	-	-	-	-
Total Revenues	42,616	145	1,539	132
EXPENDITURES				
Current:				
General government	1,561	-	-	-
Public safety	9,259	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Total Expenditures	10,820	-	-	-
Excess of Revenues Over (Under) Expenditures	31,796	145	1,539	132
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(145)	-	-
Total Other Financing Sources (Uses)	-	(145)	-	-
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	31,796	-	1,539	132
Beginning Fund Balances	26,192	-	22,024	15,809
Fund Balances - Ending	\$ 57,988	\$ -	\$ 23,563	\$ 15,941

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Air Quality Mitigation	Downtown in Lieu Parking	Downtown Frontage Improvement	COPS Program
Taxes and assessments	\$ -	\$ 1,125	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	1,483	193	282	2,363
Intergovernmental revenues	-	-	-	100,000
Charges for services	600	56,340	-	-
Other revenue	-	-	-	-
Total Revenues	2,083	57,658	282	102,363
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	64,927
Public works	-	-	-	-
Community development	-	-	-	-
Total Expenditures	-	-	-	64,927
Excess of Revenues Over (Under) Expenditures	2,083	57,658	282	37,436
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(33,941)
Total Other Financing Sources (Uses)	-	-	-	(33,941)
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	2,083	57,658	282	3,495
Beginning Fund Balances	177,592	14,019	33,911	282,468
Fund Balances - Ending	\$ 179,675	\$ 71,677	\$ 34,193	\$ 285,963

Continued (Page 2 of 7)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Housing Reimbursement	Gas Tax	CDBG 09-EDEF- 6535	CDBG 10-STBG- 6741
Taxes and assessments	\$ -	\$ 2,125,015	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	116	137	8	-
Intergovernmental revenues	-	-	1,905	152,489
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	116	2,125,152	1,913	152,489
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	1,260	14,968
Total Expenditures	-	-	1,260	14,968
Excess of Revenues Over (Under) Expenditures	116	2,125,152	653	137,521
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(17,693)	(2,127,311)	-	(180,623)
Total Other Financing Sources (Uses)	(17,693)	(2,127,311)	-	(180,623)
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	(17,577)	(2,159)	653	(43,102)
Beginning Fund Balances	17,577	40,167	(645)	-
Fund Balances - Ending	\$ -	\$ 38,008	\$ 8	\$ (43,102)

Continued (Page 3 of 7)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Bond Proceeds Fund	Redevelopment Housing	Redevelopment Capital	Town Housing Fund
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	344	353	27,952	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	2,940	-
Other revenue	-	10,000	2,754	-
Total Revenues	344	10,353	33,646	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	322,696	268,353	-
Total Expenditures	-	322,696	268,353	-
Excess of Revenues Over (Under) Expenditures	344	(312,343)	(234,707)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,979)	(69,130)	(1,842,569)	-
Total Other Financing Sources (Uses)	(1,979)	(69,130)	(1,842,569)	-
Extraordinary Loss	-	(1,298,209)	(9,485,427)	-
Net Change in Fund Balances	(1,635)	(1,679,682)	(11,562,703)	-
Beginning Fund Balances	324,950	1,679,682	11,562,703	-
Fund Balances - Ending	\$ 323,315	\$ -	\$ -	\$ -

Continued (Page 4 of 7)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CDBG Miscellaneous Income	CDBG Program Income	Boulders Moderate Housing	CDBG Housing Rehab
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	824	1,030	3,762	41
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	219,350	1,558
Total Revenues	824	1,030	223,112	1,599
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	219,350	-
Total Expenditures	-	-	219,350	-
Excess of Revenues Over (Under) Expenditures	824	1,030	3,762	1,599
OTHER FINANCING SOURCES (USES)				
Transfers in	12,595	33,820	-	-
Transfers out	-	(12,595)	-	(1,599)
Total Other Financing Sources (Uses)	12,595	21,225	-	(1,599)
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	13,419	22,255	3,762	-
Beginning Fund Balances	98,971	120,165	213,418	4,049
Fund Balances - Ending	\$ 112,390	\$ 142,420	\$ 217,180	\$ 4,049

Continued (Page 5 of 7)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	CalHome Grant	CDBG 04-EDBG- 1022	Homeowners Downpayment Assistance	Impact Fees Miscellaneous
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	520	542	1,829	4,312
Intergovernmental revenues	89,930	-	-	-
Charges for services	-	-	-	131,502
Other revenue	-	10,454	-	-
Total Revenues	90,450	10,996	1,829	135,814
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	3,697
Community development	88,880	-	-	-
Total Expenditures	88,880	-	-	3,697
Excess of Revenues Over (Under) Expenditures	1,570	10,996	1,829	132,117
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(3,532)	(10,996)	-	(61,114)
Total Other Financing Sources (Uses)	(3,532)	(10,996)	-	(61,114)
Extraordinary Loss	-	-	-	-
Net Change in Fund Balances	(1,962)	-	1,829	71,003
Beginning Fund Balances	11,771	97	149,133	475,986
Fund Balances - Ending	\$ 9,809	\$ 97	\$ 150,962	\$ 546,989

Continued (Page 6 of 7)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	Totals
Taxes and assessments	\$ 2,126,140
Fines and forfeitures	42,260
Use of money and property	46,768
Intergovernmental revenues	344,324
Charges for services	192,877
Other revenue	244,116
Total Revenues	2,996,485
EXPENDITURES	
Current:	
General government	1,561
Public safety	74,186
Public works	3,697
Community development	915,507
Total Expenditures	994,951
Excess of Revenues Over (Under) Expenditures	2,001,534
OTHER FINANCING SOURCES (USES)	
Transfers in	46,415
Transfers out	(4,363,227)
Total Other Financing Sources (Uses)	(4,316,812)
Extraordinary Loss	(10,783,636)
Net Change in Fund Balances	(13,098,914)
Beginning Fund Balances	15,270,039
Fund Balances - Ending	\$ 2,171,125

Continued (Page 7 of 7)

NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Funds

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

<u>ASSETS</u>	<u>Fleet Replacement</u>
Cash and investments	<u>\$ 3,739,087</u>
Total Assets	<u>3,739,087</u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES	
Accounts Payable	<u>560</u>
Total Liabilities	<u>560</u>
FUND BALANCES	
Assigned	<u>3,738,527</u>
Total Fund Balances	<u>3,738,527</u>
Total Liabilities and Fund Balances	<u>\$ 3,739,087</u>

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

<u>REVENUES</u>	<u>Fleet Replacement</u>
Intergovernmental revenues	\$ 949,126
Total Revenues	949,126
<u>EXPENDITURES</u>	
Capital outlay	544,684
Total Expenditures	544,684
Excess of Revenues Over (Under) Expenditures	404,442
Net Change in Fund Balances	404,442
Fund Balances - Beginning	3,334,085
Fund Balances - Ending	\$ 3,738,527

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NONMAJOR GOVERNMENTAL FUNDS
Debt Service Funds

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2012

<u>ASSETS</u>	<u>General Fund Debt Service</u>	<u>RDA Debt Service</u>	<u>Total</u>
Cash and investments	\$ 253,437	\$ -	\$ 253,437
Total Assets	253,437	-	253,437
<u>LIABILITIES AND FUND BALANCES</u>			
FUND BALANCES			
Restricted	253,437	-	253,437
Total Fund Balances	253,437	-	253,437
Total Liabilities and Fund Balances	\$ 253,437	\$ -	\$ 253,437

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>REVENUES</u>	<u>General Fund Debt Service</u>	<u>RDA Debt Service</u>	<u>Total</u>
Other revenue	\$ 92,089	\$ 261,132	\$ 353,221
Total Revenues	<u>92,089</u>	<u>261,132</u>	<u>353,221</u>
 <u>EXPENDITURES</u>			
Debt service			
Principal	290,000	-	290,000
Interest and other charges	534,283	744,026	1,278,309
Total Expenditures	<u>824,283</u>	<u>744,026</u>	<u>1,568,309</u>
Excess of Revenues Over (Under) Expenditures	<u>(732,194)</u>	<u>(482,894)</u>	<u>(1,215,088)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	704,471	482,894	1,187,365
Transfers out	(10,997)	-	(10,997)
Total Other Financing Sources (Uses)	<u>693,474</u>	<u>482,894</u>	<u>1,176,368</u>
Net Change in Fund Balances	<u>(38,720)</u>	<u>-</u>	<u>(38,720)</u>
Fund Balances - Beginning	<u>292,157</u>	<u>-</u>	<u>292,157</u>
Fund Balances - Ending	<u>\$ 253,437</u>	<u>\$ -</u>	<u>\$ 253,437</u>

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OTHER REPORTS

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

To the Town Council
of the Town of Truckee
Truckee, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Truckee, as of and for the year ended June 30, 2012, which collectively comprise the Town of Truckee's basic financial statements and have issued our report thereon dated December 21, 2012. 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

Management of the Town of Truckee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 Town of Truckee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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. 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 management, Town Council, others within the entity, and federal awarding 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 21, 2012

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Town Council
Town of Truckee, California
Truckee, California

Compliance

We have audited the Town of Truckee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Truckee's major federal programs for the year ended June 30, 2012. The Town of Truckee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Truckee's management. Our responsibility is to express an opinion on the Town of Truckee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Truckee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Truckee's compliance with those requirements.

In our opinion, the Town of Truckee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town of Truckee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Truckee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Truckee's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Mae Orta Delon

Sacramento, California
December 21, 2012

**TOWN OF TRUCKEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor Program	Federal CFDA Number	Pass-Through Entity Identifying Number/Grant Number	Federal Expenditures
U.S Department of Energy			
Pass-Through State of California Energy Commission: ARRA: Energy Efficiency and Conservation Block Grant Small City and County Program	81.128	CBG-09-109	\$ <u>68,941</u>
Total U.S. Department of Energy			<u>68,941</u>
U.S Department of Housing and Urban Development			
Pass-Through State of California Department of Housing and Community Development: Community Development Block Grants/State's Program and Non Entitlement Grants in Hawaii	14.228	09-EDEF-6535	1,260
Community Development Block Grants/State's Program and Non Entitlement Grants in Hawaii	14.228	10-STBG-6741	<u>195,591</u>
Total U.S. Department of Housing and Urban Development			<u>196,851</u>
U.S. Department of Justice			
Direct Programs: Public Safety Partnership and Community Policing Grants	16.710		98,868
ARRA: Justice Assistance Grant Program	16.804	2009-SB-B9-2975	<u>3,858</u>
Total U.S. Department of Justice			<u>102,726</u>
U.S Department of Transportation			
Pass-Through State of California Department of Transportation Highway Planning and Construction	20.205	HPLU-5473(007)	<u>453,746</u>
ARRA: Formula Grants for Other than Urbanized Areas	20.509	649968	72,621
ARRA: Formula Grants for Other than Urbanized Areas	20.509	641175	<u>62,388</u>
Total Formula Grants for Other than Urbanized Areas			<u>135,009</u>
Total U.S. Department of Transportation			<u>588,755</u>
Total Expenditures of Federal Awards			\$ <u>957,273</u>

**TOWN OF TRUCKEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Truckee. The Town of Truckee reporting entity is defined in Note 1 of the Town's Annual Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the Town's basic financial statements. Federal award revenues are reported principally in the Town's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The Town of Truckee has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

NOTE 5: LOANS OUTSTANDING

The programs listed below had the following aggregate federally funded loans outstanding at June 30, 2012:

Federal CFDA Number	Program Title	Amount Outstanding
14.228	Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	\$ 66,469
14.239	Home Investment Partnerships Program	<u>10,204,883</u>
	Total Loans Outstanding	<u>\$ 10,271,352</u>

**TOWN OF TRUCKEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of Major Programs:	
U.S. Department of Transportation, Highway Planning and Construction, CFDA 20.205	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted <i>Government Auditing Standards</i>	No
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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in section 510(a)	No
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**TOWN OF TRUCKEE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2012**

There were no findings to report for the year ended June 30, 2011.

