



TOWN OF TRUCKEE, CALIFORNIA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**



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TOWN OF TRUCKEE, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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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, 2013

| <u>Name</u> | <u>Office</u> |
|---------------------|---------------|
| Carolyn Wallace Dee | Mayor |
| Patrick Flora | Vice Mayor |
| Dr. Mark Brown | Councilmember |
| Joan deRyk Jones | Councilmember |
| Alicia Barr | 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
Truckee, California

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Truckee's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, 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* in considering Town of Truckee's internal control over financial reporting and compliance.



Sacramento, California
November 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. 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 position) at the close of the fiscal year by \$172.3 million. Of this amount, \$36.4 million is in unrestricted net position, 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 position of \$171.3 million. Of this balance, \$35.9 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 \$19 million. The non-spendable balance of \$.5 million is for the Town's public works inventory on hand. The restricted balance is \$.1 million. The assigned balance of \$10.6 million is designated for various contingencies and future capital needs and \$7.8 million is unassigned and available for spending at the Town's discretion.

Completed capital projects include the public service facility, the Town's largest project since inception, which is the new home of the Town's road maintenance and snow removal operations along with fleet maintenance operations. The Frates Lane reconstruction, the Depot streetscape and Bridge/West River Street streetscape projects were also completed during the year. Projects in-process at year end include: the Animal Shelter, 2012 paving project, Glenshire Road reconstruction, the SR89/UPRR underpass (Mousehole), the Truckee River Trail, and the Trout Creek Trail.

During fiscal 2012 construction of a Town Animal Shelter was begun. The Shelter is a joint project with the Humane Society of Truckee-Tahoe. Construction was completed in September of 2013, animals and staff moved in, and the grand opening of the building held on September 27, 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 were transferred to a fiduciary fund as of that date and reported as an extraordinary gain. As of fiscal 2011-12, the Town no longer reported the activities of the Agency as a component unit in its 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 Position 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.

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the Town's financial position is improving or deteriorating.

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The Statement of Activities presents information showing how the Town's net position changed in the most recent fiscal year. All changes of net position 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 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 Position 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, 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 & Safety divisions. The basic proprietary fund financial statements can be found on pages 28-33 of this report.

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Fiduciary Funds. The Town utilizes fiduciary funds to account for resources held for the benefit of parties outside the Town. The Statement of Fiduciary Net Position 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.

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 37-64 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Below is a table showing the Town's net position for the fiscal year ended June 30, 2013.

| | Governmental Activities | | Business-type Activities | | Total Activities | | Total Percentage Change |
|---|----------------------------|-------------------|-----------------------------|---------------|---------------------|-------------------|-------------------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | |
| Current and other assets | \$ 62,559 | \$ 66,085 | \$ 561 | \$ 877 | \$ 63,120 | \$ 66,963 | 6% |
| Capital assets | 114,123 | 118,493 | 457 | 443 | 114,580 | 118,935 | 4% |
| Total assets | 176,682 | 184,578 | 1,018 | 1,320 | 177,700 | 185,898 | 5% |
| Current Liabilities | 2,650 | 2,947 | 304 | 305 | 2,954 | 3,253 | 10% |
| Long-term debt outstanding | 10,583 | 10,283 | 77 | 63 | 10,660 | 10,345 | -3% |
| Total liabilities | 13,233 | 13,229 | 381 | 368 | 13,615 | 13,597 | |
| Net position | | | | | | | |
| Invested in capital assets net of related debt | 104,258 | 108,914 | 457 | 443 | 104,715 | 109,357 | 4% |
| Restricted | 24,987 | 26,460 | - | - | 24,987 | 26,460 | 6% |
| Unrestricted | 34,204 | 35,975 | 180 | 509 | 34,384 | 36,485 | 6% |
| Total net position | \$ 163,449 | \$ 171,349 | \$ 637 | \$ 952 | \$ 164,086 | \$ 172,301 | |

As of June 30, 2013, the Town's government-wide total assets exceeded liabilities (net position) by \$172.3 million. Governmental activities finished the year with a positive net position balance, \$171.3 million. Business type activities finished the year with a positive balance of \$.95 million. Net position as noted earlier may serve over time as a useful indicator of the Town's financial position.

Of the total net position, \$109.4 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 2013, the Town completed construction of the public service facility, the Town's largest project since inception, which is the new home of the Town's road maintenance and snow removal operations along with fleet maintenance operations. The Frates Lane reconstruction, the Depot streetscape and Bridge/West River Street streetscape projects were also completed during the year.

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 position amounts to \$26.4 million or 15.4% of total net position. Restricted net position represents 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

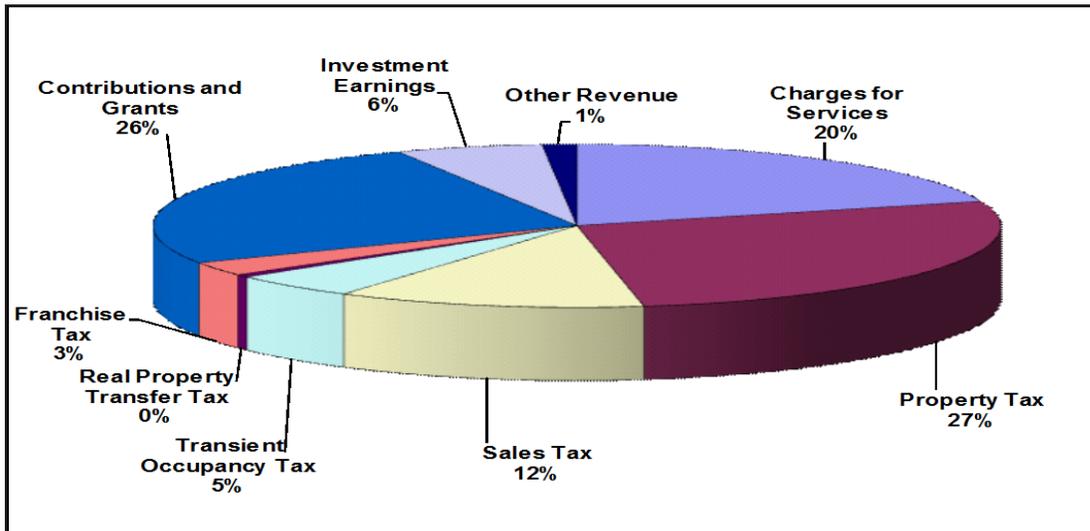
JUNE 30, 2013

Unrestricted net position represents those resources which may be used to meet the Town’s ongoing commitments to citizens and creditors. Government-wide unrestricted net position is \$36.4 million or 21.1% of the total net position. Governmental activities account for \$35.9 million or 98.6% of the total unrestricted net position. Business-type activities account for \$.51 million or 1.4% of the total. The Town can use unrestricted net position of the solid waste, parking, building & safety and transit funds to finance their continuing operations.

GOVERNMENTAL ACTIVITIES

The following lists key components of net position and highlights the changes between fiscal 2012 and fiscal 2013 for both Governmental Activities and Business-type Activities:

| | Town of Truckee Changes in Net Position (in thousands of dollars) | | | | | | Total Percentage Change |
|------------------------------------|---|------------------|-----------------------------|-----------------|---------------------|------------------|-------------------------------|
| | Governmental Activities | | Business-type Activities | | Total Activities | | |
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | |
| Revenues | | | | | | | |
| <i>Program Revenues</i> | | | | | | | |
| Charges for services | \$ 2,403 | \$ 2,389 | \$ 4,053 | \$ 4,643 | \$ 6,456 | \$ 7,034 | 9% |
| Operating grants and contributions | 2,481 | 2,165 | 685 | 564 | 3,166 | 2,729 | -14% |
| Capital grants and contributions | 3,718 | 4,888 | - | - | 3,718 | 4,888 | 31% |
| <i>General Revenues</i> | | | | | | | |
| Property taxes | 8,996 | 9,516 | - | - | 8,996 | 9,516 | 6% |
| Sales taxes | 3,964 | 4,101 | - | - | 3,964 | 4,101 | 3% |
| Transient occupancy tax | 1,351 | 1,718 | - | - | 1,351 | 1,718 | 27% |
| Other taxes | 1,177 | 1,148 | - | - | 1,177 | 1,148 | -3% |
| Interest and contributed capital | 3,529 | 1,956 | 3 | 2 | 3,532 | 1,958 | -45% |
| Other revenue | 2,373 | 1,694 | 111 | 72 | 2,485 | 1,766 | -29% |
| Total revenues | \$ 29,993 | \$ 29,576 | \$ 4,851 | \$ 5,281 | \$ 34,844 | \$ 34,857 | |



Total governmental revenues for the year were \$29.6 million, a decrease of \$.4 million or 1.4% when compared to 2012. The more significant decreases in revenues are due to decreases in contributed capital as the Town accepted multiple roads in fiscal 2012 and only accepted 2 roads in fiscal 2013. Other revenue also decreased due to one-time revenue adjustments that were recorded in fiscal 2012 and not in fiscal 2013. In 2013 the Town received \$7.1 million in operating and capital grants and contributions compared with \$6.2 million in 2012. Property tax revenue, the Town’s largest revenue source, had an increase of 6% compared with 2012. Sales taxes had a

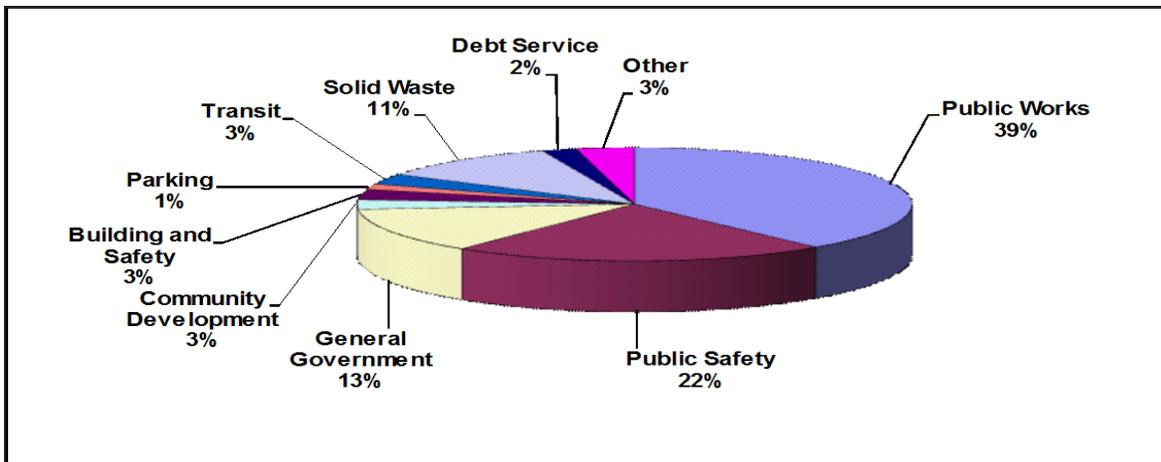
TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

slight increase compared with 2012, indicating continued recovery in all types of sales. Transient occupancy tax revenues significantly increased, with the highest collection year in the Town's history. Taxes, which include property, sales, and other taxes account for \$16.5 million or 55.7% of the Town's governmental activities revenue. Without capital grants, taxes would be 66.8% of the Town's governmental activities revenue.

| | Governmental Activities | | Business-type Activities | | Total Activities | | Total Percentage Change |
|---|-------------------------|-----------------|--------------------------|---------------|------------------|-----------------|-------------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | |
| Expenses | | | | | | | |
| General government | \$ 4,736 | \$ 3,465 | \$ - | \$ - | \$ 4,736 | \$ 3,465 | -27% |
| Public safety | 6,134 | 5,915 | - | - | 6,134 | 5,915 | -4% |
| Public works | 9,767 | 10,426 | - | - | 9,767 | 10,426 | 7% |
| Community development | 1,009 | 730 | - | - | 1,009 | 730 | -28% |
| Transit | - | - | 761 | 802 | 761 | 802 | 5% |
| Solid Waste | - | - | 2,581 | 2,923 | 2,581 | 2,923 | 13% |
| Building & Safety | - | - | 793 | 792 | 793 | 792 | 0% |
| Parking | - | - | 529 | 431 | 529 | 431 | -18% |
| Interest on long-term debt | 1,292 | 537 | - | - | 1,292 | 537 | -58% |
| Other | 914 | 917 | - | - | 914 | 917 | 0% |
| Total expenses | 23,851 | 21,991 | 4,663 | 4,948 | 28,515 | 26,939 | |
| Excess (deficiency) before transfers | 6,140 | 7,584 | 189 | 334 | 6,329 | 7,918 | |
| Transfers | (60) | 19 | 60 | (19) | - | - | |
| Extraordinary Items | 860 | (245) | - | - | 860 | (245) | |
| Increase (decrease) in net position | \$ 6,940 | \$ 7,358 | \$ 249 | \$ 315 | \$ 7,189 | \$ 7,673 | |



Total governmental expenses for the year were \$22 million as compared to \$23.9 million, an 7.8% decrease. The most significant decrease in expenses is due to a decrease in interest on long-term debt since the long-term debt of the former Redevelopment Agency was transferred to the Redevelopment Successor Agency (fiduciary fund). There was also a decrease in general government expenses as the Town spent nearly \$1.1M on the Trout Creek reconstruction project in 2012 – expenses that did not happen in 2013.

BUSINESS-TYPE ACTIVITIES

Business-type activities account for a total increase in net position of \$0.32 million or 1.4% of the total Government-wide net position. The increase in net position is the result of a 15% increase in charges for services revenue in parking, solid waste, and building and safety funds. Due to cost controls and an increase in permit revenues, building and safety's revenues exceeded expenses by \$.24 million and the fund has once again reached a positive net position. Solid waste revenue increased 13.4% compared to 2012 due to budgeted rate increases for enhancements in service.

TOWN OF TRUCKEE, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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. The ending fund balance for all funds is \$45.5 million. Of the total fund balance, \$7.8 million or 17% is unassigned, which is available for spending at the Town's discretion. See the notes to the financial report, note 1.N on page 45. 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, 2013 the total fund balance of the general fund was \$19 million with \$.56 million in non-spendable inventory, \$90,000 restricted for self-insurance, and \$18.4 million in assigned/unassigned funds for contingencies, equipment replacement, facilities construction and capital projects.

Total governmental revenues, excluding other financing sources/uses, exceeded expenditures by \$1.8 million primarily as a result of a combination of higher than expected sales tax and transient occupancy tax revenues and savings in the public works department as a result of a low snow year and staffing shortages in the police department.

Proprietary Funds. The Town's parking, solid waste, building and safety and transit funds ended the year with positive unrestricted net position. The building & safety fund ended the year with positive unrestricted net position for the first time since fiscal 2006.

Fiduciary Funds. 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 in fiscal 2012.

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 \$17.6 million were \$1.4 million higher than budgeted revenues. While fines and forfeitures, use of money and property, and other revenues were lower than budgeted, taxes and assessments, licenses and permits, intergovernmental revenues, and charges for services all exceeded budgeted revenues. Property tax, sales tax, and transient occupancy tax revenues were over budget by a total of \$1.3 million and charges for services was over budget by \$.1 million primarily due to higher than expected collections of plan processing fees.

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, 2013, amounts to \$118.9 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, 2013

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|----------------------------|----------------------------|-------------------|-----------------------------|---------------|-------------------|-------------------|-------------------------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | |
| Right of way | \$ 44,046 | \$ 44,993 | \$ - | \$ - | \$ 44,046 | \$ 44,993 | 2.1% |
| Land | 6,960 | 6,960 | - | - | 6,960 | 6,960 | 0.0% |
| Construction in progress | 22,084 | 11,425 | 0 | 0 | 22,084 | 11,425 | -48.3% |
| Buildings and improvements | 7,688 | 21,435 | 251 | 285 | 7,940 | 21,719 | 173.6% |
| Equipment | 3,765 | 5,629 | 206 | 158 | 3,971 | 5,787 | 45.7% |
| Infrastructure | 29,578 | 28,049 | - | - | 29,578 | 28,049 | -5.2% |
| TOTALS | \$ 114,122 | \$ 118,492 | \$ 457 | \$ 443 | \$ 114,579 | \$ 118,933 | |

Major capital asset additions this year were due to additions in infrastructure projects still in construction at year end in fiscal 2013, including the new animal shelter and the 2012 paving project.

Additional information on the Town's capital assets can be found in note 3 C on pages 51 and 52.

Long-term Debt. The Town's long-term debt as of June 30, 2013 was \$10.7 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 pages 52-53.

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 \$4,999.3 million in fiscal 2013. The Town of Truckee's debt limit is \$749.9 million. The Town currently has no general obligation debt outstanding.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Town continues to experience slow residential growth, although there has been a small uptick in 2013. During the budget process for fiscal 2014 it was estimated that 55 new single-family units would be constructed within the Town, compared with 36 budgeted units and 44 actual units in fiscal 2013. Non-residential growth is estimated to be similar in 2014 when compared to 2013. 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 increase approximately 3.72% compared with 2013 budgeted expenditures. Personnel costs were budgeted to increase 4.07% and included an increase in the employee's partial contribution to CalPERS retirement as well as the restoration of funding of the Town's pay for performance program. Overall service and supply costs are expected to increase 4.57% above the 2013 budget due to decreased operating costs in nearly every operating department.

The Town's general fund is currently contributing approximately \$.8 million to the Town's capital programs, excluding funding of the new Animal Shelter, as well as \$750,000 for street overlay maintenance reserve annually. It has almost \$11.5 million in assigned fund balance which includes \$4.8 million (25% of revenues) of general fund balance to be assigned for contingencies and \$4.8 million for asphalt overlay, and \$1.25 for economic development infrastructure.

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 POSITION

JUNE 30, 2013

| ASSETS | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|------------------------------|
| Cash and investments | \$ 44,687,816 | \$ 672,297 | \$ 45,360,113 |
| Cash with fiscal agent | 323,372 | - | 323,372 |
| Accounts receivable | 1,154,320 | 235,296 | 1,389,616 |
| Interest receivable | 145,892 | 736 | 146,628 |
| Taxes receivable | 1,574,657 | - | 1,574,657 |
| Internal balances | 40,952 | (40,952) | - |
| Due from other governments | 189,770 | - | 189,770 |
| Inventories | 557,309 | - | 557,309 |
| Prepaid costs and deposits | 1,310,680 | 10,099 | 1,320,779 |
| Deferred charges | 156,991 | - | 156,991 |
| Loans receivable (net of allowance of \$33,278) | 15,890,842 | - | 15,890,842 |
| Net other post-employment benefits asset | 52,515 | - | 52,515 |
| Capital assets: | | | |
| Non-depreciable assets | 63,377,891 | - | 63,377,891 |
| Depreciable assets, net of depreciation | 55,114,772 | 442,605 | 55,557,377 |
| Total capital assets | <u>118,492,663</u> | <u>442,605</u> | <u>118,935,268</u> |
| Total Assets | <u>184,577,779</u> | <u>1,320,081</u> | <u>185,897,860</u> |
| | | | |
| LIABILITIES | | | |
| Accounts payable | 1,808,424 | 260,150 | 2,068,574 |
| Salaries and benefits payable | 317,542 | 13,161 | 330,703 |
| Deposits payable | 410,461 | 9,582 | 420,043 |
| Unearned revenue | 22,131 | 15,932 | 38,063 |
| Long-term liabilities | | | |
| Due within one year | 387,702 | 6,480 | 394,182 |
| Due in more than one year | 10,282,580 | 62,730 | 10,345,310 |
| Total Liabilities | <u>13,228,840</u> | <u>368,035</u> | <u>13,596,875</u> |
| | | | |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 108,913,968 | 442,605 | 109,356,573 |
| Restricted for: | | | |
| Capital Projects | 4,515,667 | - | 4,515,667 |
| Grants, taxes, and fees | 21,944,157 | - | 21,944,157 |
| Unrestricted | 35,975,147 | 509,441 | 36,484,588 |
| Total Net Position | <u>\$ 171,348,939</u> | <u>\$ 952,046</u> | <u>\$ 172,300,985</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, 2013

| FUNCTIONS/PROGRAMS | Program Revenues | | | |
|---------------------------------------|-------------------------|-----------------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 3,465,117 | \$ 117,460 | \$ 95,966 | \$ 949,126 |
| Public safety | 5,915,265 | 388,207 | 97,544 | - |
| Public works | 10,426,072 | 1,686,627 | 1,764,364 | 3,301,102 |
| Community development | 730,220 | 197,055 | 206,923 | 638,046 |
| Facilities | 917,015 | - | - | - |
| Interest on long-term debt | 536,830 | - | - | - |
| Total Governmental Activities | 21,990,519 | 2,389,349 | 2,164,797 | 4,888,274 |
| Business-type activities: | | | | |
| Parking | 431,257 | 579,965 | - | - |
| Solid waste | 2,923,046 | 2,920,219 | 3,935 | - |
| Building and safety | 791,592 | 1,049,658 | - | - |
| Transit | 802,295 | 93,328 | 560,115 | - |
| Total Business-type Activities | 4,948,190 | 4,643,170 | 564,050 | - |
| Total | \$ 26,938,709 | \$ 7,032,519 | \$ 2,728,847 | \$ 4,888,274 |

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net (Expense) Revenue and Changes in Net Position

| FUNCTIONS/PROGRAMS | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| Governmental activities: | | | |
| General government | \$ (2,302,565) | \$ - | \$ (2,302,565) |
| Public safety | (5,429,514) | - | (5,429,514) |
| Public works | (3,673,979) | - | (3,673,979) |
| Community development | 311,804 | - | 311,804 |
| Facilities | (917,015) | - | (917,015) |
| Interest on long-term debt | (536,830) | - | (536,830) |
| Total Governmental Activities | (12,548,099) | - | (12,548,099) |
| Business-type activities: | | | |
| Parking | - | 148,708 | 148,708 |
| Solid waste | - | 1,108 | 1,108 |
| Building and safety | - | 258,066 | 258,066 |
| Transit | - | (148,852) | (148,852) |
| Total Business-type Activities | - | 259,030 | 259,030 |
| Total | (12,548,099) | 259,030 | (12,289,069) |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes | 9,516,056 | - | 9,516,056 |
| Sales and use taxes | 4,100,852 | - | 4,100,852 |
| Transient occupancy taxes | 1,718,415 | - | 1,718,415 |
| Property transfer taxes | 191,036 | - | 191,036 |
| Franchise taxes | 956,487 | - | 956,487 |
| Grants and contributions - unrestricted | 1,308,923 | - | 1,308,923 |
| Interest and investment earnings | 1,955,999 | 2,195 | 1,958,194 |
| Miscellaneous | 385,572 | 72,529 | 458,101 |
| Transfers | 18,690 | (18,690) | - |
| Total General Revenues and Transfers | 20,152,030 | 56,034 | 20,208,064 |
| Extraordinary Items | (244,699) | - | (244,699) |
| Change in Net Position | 7,359,232 | 315,064 | 7,674,296 |
| Net Assets - Beginning, as previously reported | 163,449,440 | 636,982 | 164,086,422 |
| Prior period restatement (Note 7) | 540,267 | - | 540,267 |
| Net Position - Beginning | 163,989,707 | 636,982 | 164,626,689 |
| Net Position - Ending | \$ 171,348,939 | \$ 952,046 | \$ 172,300,985 |

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, 2013

| ASSETS | General | Measure A / Measure V | Impact Fees | HOME Grant |
|--|----------------------|----------------------------------|---------------------|----------------------|
| Cash and investments | \$ 17,711,681 | \$ 5,524,677 | \$ 7,132,228 | \$ - |
| Cash with fiscal agent | - | - | - | - |
| Accounts receivable | 303,378 | - | - | - |
| Interest receivable | 110,414 | 11,207 | 10,219 | - |
| Taxes receivable | 1,082,041 | 254,500 | - | - |
| Due from other funds | 41,802 | - | - | - |
| Due from other governments | 101,836 | - | 4,768 | - |
| Inventories | 557,309 | - | - | - |
| Prepaid costs and deposits | 94,805 | - | - | - |
| Loans receivable | 1,763,785 | - | - | 10,537,988 |
| Total Assets | 21,767,051 | 5,790,384 | 7,147,215 | 10,537,988 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | 428,300 | - | - | - |
| Salaries and benefits payable | 312,087 | - | - | - |
| Deposits payable | 90,213 | - | - | - |
| Due to other funds | - | - | - | - |
| Unearned revenue | 1,898,244 | - | - | 10,537,988 |
| Total Liabilities | 2,728,844 | - | - | 10,537,988 |
| FUND BALANCES | | | | |
| Nonspendable | 557,309 | - | - | - |
| Restricted | 90,000 | 5,790,384 | 7,147,215 | - |
| Assigned | 10,557,616 | - | - | - |
| Unassigned | 7,833,282 | - | - | - |
| Total Fund Balances | 19,038,207 | 5,790,384 | 7,147,215 | - |
| Total Liabilities and Fund Balances | \$ 21,767,051 | \$ 5,790,384 | \$ 7,147,215 | \$ 10,537,988 |

TOWN OF TRUCKEE, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

| | Capital Projects | Town Special Service Areas (TSSA) | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|--|---|---|
| ASSETS | | | | |
| Cash and investments | \$ 1,238,497 | \$ 6,529,266 | \$ 6,551,467 | \$ 44,687,816 |
| Cash with fiscal agent | - | - | 323,372 | 323,372 |
| Accounts receivable | 800,271 | - | 22,920 | 1,126,569 |
| Interest receivable | - | 10,324 | 3,728 | 145,892 |
| Taxes receivable | - | 38,555 | 39,757 | 1,414,853 |
| Due from other funds | - | - | - | 41,802 |
| Due from other governments | 48,183 | - | 34,983 | 189,770 |
| Inventories | - | - | - | 557,309 |
| Prepaid costs and deposits | - | - | - | 94,805 |
| Loans receivable | - | - | 3,622,347 | 15,924,120 |
| Total Assets | 2,086,951 | 6,578,145 | 10,598,574 | 64,506,308 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | 1,328,167 | - | 51,957 | 1,808,424 |
| Salaries and benefits payable | 5,455 | - | - | 317,542 |
| Deposits payable | 320,248 | - | - | 410,461 |
| Due to other funds | - | - | 850 | 850 |
| Unearned revenue | 379,205 | - | 3,655,563 | 16,471,000 |
| Total Liabilities | 2,033,075 | - | 3,708,370 | 19,008,277 |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | 557,309 |
| Restricted | - | 6,578,145 | 2,313,435 | 21,919,179 |
| Assigned | 53,876 | - | 4,576,769 | 15,188,261 |
| Unassigned | - | - | - | 7,833,282 |
| Total Fund Balances | 53,876 | 6,578,145 | 6,890,204 | 45,498,031 |
| Total Liabilities and Fund Balances | \$ 2,086,951 | \$ 6,578,145 | \$ 10,598,574 | \$ 64,506,308 |

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 POSITION -
GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

| | |
|--|-----------------------|
| Total Governmental Fund Balances | \$ 45,498,031 |
| Amounts reported for governmental activities in the Statement of Net Position 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. | 156,991 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 118,492,663 |
| Prepaid costs for animal shelter deposits | 16,584 |
| 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. | (10,617,767) |
| A prior year expenditure for the CalPers side fund payoff is reported as an asset in the Statement of Net Position, net of amortization. | 1,199,291 |
| Adjustment to unearned revenue for grant receivables, long-term loan payments, accrued interest, new loans, and prior period adjustments. | 16,448,869 |
| 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 | 187,555 |
| Allowance for doubtful accounts | (33,278) |
| Net Position of Governmental Activities | <u>\$ 171,348,939</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, 2013

| REVENUES | General | Measure A / Measure V | Impact Fees | HOME Grant |
|---|----------------------|----------------------------------|---------------------|-------------------|
| Taxes and assessments | \$ 14,572,532 | \$ 1,733,409 | \$ - | \$ - |
| Licenses and permits | 33,574 | - | - | - |
| Fines and forfeitures | 250,523 | - | - | - |
| Use of money and property | 9,309 | 21,986 | 19,867 | - |
| Intergovernmental revenues | 1,582,502 | - | - | - |
| Charges for services | 873,333 | - | 465,382 | - |
| Other revenues | 285,098 | - | - | - |
| Total Revenues | 17,606,871 | 1,755,395 | 485,249 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,094,236 | 172 | 4,752 | - |
| Public safety | 5,582,781 | - | - | - |
| Public works | 5,027,815 | - | - | - |
| Community development | 684,282 | - | - | - |
| Facilities | 919,996 | - | - | - |
| Capital outlay | 72,777 | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and other charges | - | - | - | - |
| Total Expenditures | 15,381,886 | 172 | 4,752 | - |
| Excess of Revenues Over (Under) Expenditures | 2,224,985 | 1,755,223 | 480,497 | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,216,670 | - | - | - |
| Transfers out | (3,535,735) | (2,511,194) | (78,442) | (26) |
| Total Other Financing Sources (Uses) | (1,319,065) | (2,511,194) | (78,442) | (26) |
| Net Change in Fund Balances | 905,920 | (755,971) | 402,055 | (26) |
| Beginning Fund Balances, as previously reported | 17,592,020 | 6,546,355 | 6,745,160 | 26 |
| Prior Period Restatement (Note 7) | 540,267 | - | - | - |
| Beginning Fund Balances (Deficits) | 18,132,287 | 6,546,355 | 6,745,160 | 26 |
| Fund Balances - Ending | \$ 19,038,207 | \$ 5,790,384 | \$ 7,147,215 | \$ - |

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| REVENUES | Capital Projects | Town Special Service Areas (TSSA) | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|--|---|---|
| Taxes and assessments | \$ - | \$ - | \$ 1,628,618 | \$ 17,934,559 |
| Licenses and permits | - | - | - | 33,574 |
| Fines and forfeitures | - | - | - | 250,523 |
| Use of money and property | - | 19,551 | 27,877 | 98,590 |
| Intergovernmental revenues | 1,617,173 | - | 1,676,934 | 4,876,609 |
| Charges for services | - | 767,766 | 166,174 | 2,272,655 |
| Other revenues | 2,164,978 | - | 311,114 | 2,761,190 |
| Total Revenues | 3,782,151 | 787,317 | 3,810,717 | 28,227,700 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 245,243 | - | 1,224 | 3,345,627 |
| Public safety | - | - | 140,377 | 5,723,158 |
| Public works | 1,245,699 | 4,353 | 3,169 | 6,281,036 |
| Community development | - | - | 41,500 | 725,782 |
| Facilities | - | - | - | 919,996 |
| Capital outlay | 8,285,108 | - | 238,303 | 8,596,188 |
| Debt service | | | | |
| Principal | - | - | 300,000 | 300,000 |
| Interest and other charges | - | - | 523,101 | 523,101 |
| Total Expenditures | 9,776,050 | 4,353 | 1,247,674 | 26,414,887 |
| Excess of Revenues Over (Under) Expenditures | (5,993,899) | 782,964 | 2,563,043 | 1,812,813 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 6,536,300 | - | 1,553,770 | 10,306,740 |
| Transfers out | - | (772,956) | (3,389,697) | (10,288,050) |
| Total Other Financing Sources (Uses) | 6,536,300 | (772,956) | (1,835,927) | 18,690 |
| Net Change in Fund Balances | 542,401 | 10,008 | 727,116 | 1,831,503 |
| Beginning Fund Balances, as previously reported | (488,525) | 6,568,137 | 6,163,088 | 43,126,261 |
| Prior Period Restatement (Note 7) | - | - | - | 540,267 |
| Beginning Fund Balances (Deficits) | (488,525) | 6,568,137 | 6,163,088 | 43,666,528 |
| Fund Balances - Ending | \$ 53,876 | \$ 6,578,145 | \$ 6,890,204 | \$ 45,498,031 |

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, 2013

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 position 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 | \$ 1,831,503 |
| 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 (\$8,596,188) exceeded depreciation expense (\$4,442,967) in the current period. | 4,153,221 |
| 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. | 1,265,059 |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. The additional net effect of various transactions involving capital assets (i.e. sales) is a decrease to net position. | (39,055) |
| 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 (\$990,944). Some revenues reported in prior year Statement of Activities were recognized in the governmental funds in current year (\$1,004,233). | (13,289) |
| Prepaid costs for animal shelter deposits | (130,105) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the net amount of principal repayments. | 300,000 |
| Repayment of long-term receivables is treated as revenues in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Position. 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 Position. 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 | (16,094) |
| Loans made during the year | 25,091.78 |
| Long-term loan interest accrual | 424,843 |
| 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 allowance | (33,278) |
| 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 | (49,342) |
| Amortization of bond discount, cost of issuance and refunding difference | (13,729) |
| Other post-employment benefits | 74,347 |
| Side fund amortization | (175,242) |
| An extraordinary loss is reported in governmental activities related to the dissolution of the former redevelopment agency and direction from the State to transfer three down-payment assistance loans from the Town Successory Housing agency to the Redevelopment Successor Agency (fiduciary fund). No expenditure was recorded in governmental funds since there was no fund balance for the loans. | <u>(244,699)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 7,359,232</u> |

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

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TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013

| | <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 | \$ 288,085 | \$ 289,578 | \$ 94,634 |
| Accounts receivable, net of allowance | 20,230 | 151,010 | - |
| Interest receivable | 391 | 303 | 42 |
| Prepaid costs | 6,119 | - | - |
| Total Current Assets | 314,825 | 440,891 | 94,676 |
| Noncurrent Assets | | | |
| Capital Assets | | | |
| Depreciable capital assets | 25,022 | 36,305 | 333,064 |
| Less: accumulated depreciation | (18,677) | (24,137) | (311,299) |
| Total Noncurrent Assets | 6,345 | 12,168 | 21,765 |
| Total Assets | 321,170 | 453,059 | 116,441 |
| <u>LIABILITIES</u> | | | |
| Current Liabilities | | | |
| Accounts payable | 7,508 | 249,145 | 2,556 |
| Salaries & benefits payable | 3,305 | 2,328 | 6,115 |
| Deposits payable | - | - | 9,582 |
| Due to other funds | - | - | - |
| Unearned revenue | 3,576 | - | - |
| Compensated absences | 2,192 | 574 | 1,895 |
| Total Current Liabilities | 16,581 | 252,047 | 20,148 |
| Noncurrent Liabilities | | | |
| Compensated absences | 8,418 | 11,918 | 31,839 |
| Total Noncurrent Liabilities | 8,418 | 11,918 | 31,839 |
| Total Liabilities | 24,999 | 263,965 | 51,987 |
| <u>NET POSITION</u> | | | |
| Invested in capital assets | 6,345 | 12,168 | 21,765 |
| Unrestricted | 289,826 | 176,926 | 42,689 |
| Total Net Position | \$ 296,171 | \$ 189,094 | \$ 64,454 |

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2013

| | <u>Transit</u> | <u>Totals</u> |
|---------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Current Assets | | |
| Cash and investments | \$ - | \$ 672,297 |
| Accounts receivable, net of allowance | 64,056 | 235,296 |
| Interest receivable | - | 736 |
| Prepaid costs | 3,980 | 10,099 |
| Total Current Assets | <u>68,036</u> | <u>918,428</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Depreciable capital assets | 770,935 | 1,165,326 |
| Less: accumulated depreciation | <u>(368,608)</u> | <u>(722,721)</u> |
| Total Noncurrent Assets | <u>402,327</u> | <u>442,605</u> |
| Total Assets | <u>470,363</u> | <u>1,361,033</u> |
| <u>LIABILITIES</u> | | |
| Current Liabilities | | |
| Accounts payable | 941 | 260,150 |
| Salaries & benefits payable | 1,413 | 13,161 |
| Deposits payable | - | 9,582 |
| Due to other funds | 40,952 | 40,952 |
| Unearned revenue | 12,356 | 15,932 |
| Compensated absences | 1,819 | 6,480 |
| Total Current Liabilities | <u>57,481</u> | <u>346,257</u> |
| Noncurrent Liabilities | | |
| Compensated absences | <u>10,555</u> | <u>62,730</u> |
| Total Noncurrent Liabilities | <u>10,555</u> | <u>62,730</u> |
| Total Liabilities | <u>68,036</u> | <u>408,987</u> |
| <u>NET POSITION</u> | | |
| Invested in capital assets | 402,327 | 442,605 |
| Unrestricted | <u>-</u> | <u>509,441</u> |
| Total Net Position | <u>\$ 402,327</u> | <u>\$ 952,046</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|---|--|--------------------|----------------------------|
| | <u>Parking</u> | <u>Solid Waste</u> | <u>Building and Safety</u> |
| <u>OPERATING REVENUES</u> | | | |
| Charges for services | \$ 512,172 | \$ 2,920,219 | \$ 1,049,658 |
| Fines and forfeitures | 67,793 | - | - |
| Other revenues | 518 | - | 2,346 |
| Total Operating Revenues | 580,483 | 2,920,219 | 1,052,004 |
| <u>OPERATING EXPENSES</u> | | | |
| Salaries and benefits | 151,778 | 141,916 | 512,150 |
| Services and supplies | 276,648 | 2,777,797 | 274,952 |
| Depreciation | 2,831 | 3,333 | 4,490 |
| Total Operating Expenses | 431,257 | 2,923,046 | 791,592 |
| Operating Income (Loss) | 149,226 | (2,827) | 260,412 |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | |
| Intergovernmental revenues | - | 3,935 | - |
| Interest income | 1,591 | 463 | 43 |
| Total Non-Operating Revenues (Expenses) | 1,591 | 4,398 | 43 |
| Income (Loss) before Transfers | 150,817 | 1,571 | 260,455 |
| Transfers out | - | - | (18,690) |
| Change in Net Position | 150,817 | 1,571 | 241,765 |
| Total Net Position - Beginning | 145,354 | 187,523 | (177,311) |
| Total Net Position - Ending | \$ 296,171 | \$ 189,094 | \$ 64,454 |

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Transit | Totals |
|---|--|-------------------|
| <u>OPERATING REVENUES</u> | | |
| Charges for services | \$ 93,328 | \$ 4,575,377 |
| Fines and foreitures | - | 67,793 |
| Other revenues | 69,665 | 72,529 |
| | Total Operating Revenues | 4,715,699 |
| <u>OPERATING EXPENSES</u> | | |
| Salaries and benefits | 128,942 | 934,786 |
| Services and supplies | 599,279 | 3,928,676 |
| Depreciation | 74,074 | 84,728 |
| | Total Operating Expenses | 4,948,190 |
| | Operating Income (Loss) | (232,491) |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | |
| Intergovernmental revenues | 560,115 | 564,050 |
| Interest income | 98 | 2,195 |
| | Total Non-Operating Revenues (Expenses) | 566,245 |
| | Income (Loss) before Transfers | 333,754 |
| Transfers out | - | (18,690) |
| | Change in Net Position | 315,064 |
| | Total Net Position - Beginning | 636,982 |
| | Total Net Position - Ending | \$ 952,046 |

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, 2013

Business-type Activities - Enterprise Funds

| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | <u>Parking</u> | <u>Solid Waste</u> | <u>Building and Safety</u> | <u>Transit</u> |
|---|-------------------|--------------------|----------------------------|---------------------|
| Receipts from customers | \$ 604,917 | \$ 2,930,190 | \$ 1,054,034 | \$ 192,479 |
| Payments to suppliers | \$ (293,180) | (2,770,854) | (266,605) | (606,943) |
| Payments to employees | \$ (155,604) | (137,460) | (531,181) | (123,881) |
| Net Cash Provided (Used) by Operating Activities | <u>156,133</u> | <u>21,876</u> | <u>256,248</u> | <u>(538,345)</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | | | |
| Intergovernmental revenues received | - | - | - | 572,471 |
| Transfers from other funds | - | 3,935 | (18,690) | - |
| Transfers to other funds | - | - | - | 15,924 |
| Interfund loans received | - | - | (122,871) | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>-</u> | <u>3,935</u> | <u>(141,561)</u> | <u>588,395</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | | |
| Acquisition of capital assets | - | - | - | (50,147) |
| Proceeds from the sale of capital assets | - | - | (20,197) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>-</u> | <u>-</u> | <u>(20,197)</u> | <u>(50,147)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | |
| Interest received on investments | 1,409 | 421 | 44 | 97 |
| Net Cash Provided (Used) by Investing Activities | <u>1,409</u> | <u>421</u> | <u>44</u> | <u>97</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 157,542 | 26,232 | 94,534 | - |
| Cash and Cash Equivalents - Beginning of the Year | 130,543 | 263,346 | 100 | - |
| Cash and Cash Equivalents - End of the Year | <u>\$ 288,085</u> | <u>\$ 289,578</u> | <u>\$ 94,634</u> | <u>\$ -</u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u> | | | | |
| Operating income (loss) | \$ 149,226 | \$ (2,827) | \$ 260,412 | \$ (639,302) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 2,831 | 3,333 | 4,490 | 74,074 |
| Decrease (increase) in: | | | | |
| Accounts receivable | 20,858 | 9,971 | 74 | 29,486 |
| Prepaid expenses | (6,119) | | 18,554 | (3,980) |
| Increase (decrease) in: | | | | |
| Accounts payable | (10,413) | 6,943 | (10,207) | (3,684) |
| Salaries and benefits payable | 192 | 129 | (2,401) | (479) |
| Unearned revenue | 3,576 | | | |
| Deposits payable | | | 1,956 | |
| Compensated absences | (4,018) | 4,327 | (16,630) | 5,540 |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 156,133</u> | <u>\$ 21,876</u> | <u>\$ 256,248</u> | <u>\$ (538,345)</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, 2013

| | Totals |
|---|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Receipts from customers | 4,781,620 |
| Payments to suppliers | (3,937,582) |
| Payments to employees | (948,126) |
| | (104,088) |
| Net Cash Provided (Used) by Operating Activities | (104,088) |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | |
| Intergovernmental revenues received | 572,471 |
| Transfers from other funds | (14,755) |
| Transfers to other funds | 15,924 |
| Interfund loans received | (122,871) |
| | 450,769 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 450,769 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | |
| Acquisition of capital assets | (50,147) |
| Proceeds from the sale of capital assets | (20,197) |
| | (70,344) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (70,344) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Interest received on investments | 1,971 |
| | 1,971 |
| Net Cash Provided (Used) by Investing Activities | 1,971 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 278,308 |
| Cash and Cash Equivalents - Beginning of the Year | 393,989 |
| Cash and Cash Equivalents - End of the Year | \$ 672,297 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u> | |
| Operating income (loss) | \$ (232,491) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | |
| Depreciation | 84,728 |
| Decrease (increase) in: | |
| Accounts receivable | 60,389 |
| Prepaid expenses | 8,455 |
| Increase (decrease) in: | |
| Accounts payable | (17,361) |
| Salaries and benefits payable | (2,559) |
| Unearned revenue | 3,576 |
| Deposits payable | 1,956 |
| Compensated absences | (10,781) |
| | (104,088) |
| Net Cash Provided by (Used for) Operating Activities | \$ (104,088) |

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

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2013

| <u>ASSETS</u> | <u>Redevelopment Successor Agency</u> |
|----------------------------------|--|
| Cash and cash equivalents | \$ 755,900 |
| Investments: | |
| Held with trustees | 7,700,420 |
| Interest receivable | 24,707 |
| Deferred charges | 446,286 |
| Notes receivable | 666,601 |
| 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 | (32,769) |
| Total Assets | <u>9,987,424</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | 1,365 |
| Salaries and benefits payable | 4,490 |
| Interest payable | 206,777 |
| Long-term liabilities: | |
| Due within one year | 39,925 |
| Due in more than one year | 12,675,448 |
| Total Liabilities | <u>12,928,005</u> |
| <u>NET POSITION</u> | |
| Held in trust for other purposes | <u>\$ (2,940,581)</u> |

TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

| <u>ADDITIONS</u> | Redevelopment Successor Agency |
|--|---|
| Property taxes | \$ 1,036,046 |
| Use of money and property | 65,467 |
| Other revenue | <u>510,674</u> |
| Total Additions | <u>1,612,187</u> |
| | |
| <u>DEDUCTIONS</u> | |
| Program expenses of former redevelopment agency | 102,908 |
| Administrative expenses | 250,003 |
| Interest and fiscal agency expenses of former redevelopment agency | 744,025 |
| Noncash expenses: depreciation, amortization and loan forgiveness | <u>65,599</u> |
| Total Deductions | <u>1,162,535</u> |
| Extraordinary loss | <u>(2,221,867)</u> |
| Change in net position | (1,772,215) |
| Net Position - Beginning | <u>(1,168,366)</u> |
| Net Position - Ending | <u><u>\$ (2,940,581)</u></u> |

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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, 2013

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

A. Reporting Entity

The Town of Truckee (Town) was incorporated on March 23, 1993, 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 and therefore is no longer reported as a component unit and the Town no longer issues separate financial statements for the Agency or its successor. The Redevelopment Successor Agency is reported as a Fiduciary Fund in the 2012-13 financial statements.

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 related to Town operations is shown as long-term debt of the Town. Debt related to the Successor Agency is shown as debt of the fiduciary fund.

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, 2013

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

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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, road maintenance, community development, general government, 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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

- 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.

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 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.

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.

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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

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, loans, 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.

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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

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. The Town's inventory balance includes supplies used in the road maintenance, snow removal, and fleet divisions of the public works department. Change in the inventory balance is reported as a direct adjustment to public works expenditures.

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 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.

As of June 30, 2013, the Town has an outstanding loan receivable from the Humane Society of Truckee-Tahoe ("HSTT"). The Town and HSTT are jointly constructing a new animal shelter and sharing the costs of the construction. The Town has advanced funds to the HSTT for a portion of their share of the construction costs.

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.

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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

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 Position. 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 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 medicare taxes payable on behalf of the employees in the accrual for compensated absences.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

N. Net Position/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is 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 resources - Consists of resources 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. Resources restricted for other purposes included \$5,790,384 restricted by enabling legislation (Measures A and V).
- Unrestricted resources - All other resources that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

At June 30, 2013, the Town had recorded restricted resources in governmental activities as follows:

| | |
|-------------------------|----------------------|
| Restricted for: | |
| Capital Projects | \$ 4,515,667 |
| Grants, taxes, and fees | <u>21,944,157</u> |
| Total Restricted | <u>\$ 26,459,824</u> |

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, 2013.
- *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 OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

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, 2013, restricted fund balance included:

- Self Insurance Retention - to reflect funds held to cover the deductible on self-insurance programs.

As of June 30, 2013, 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, litigation, future economic development programs or projects, capital facilities needs, and designations related to road maintenance overlay.

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.

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

| | <u>Secured</u> | <u>Unsecured</u> |
|----------------------|--|------------------|
| 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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

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.

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2013 or later. The Town has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of this statement is effective for the Town's fiscal year ending June 30, 2014.

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Town has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the Town's fiscal year ending June 30, 2015.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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, 2013, 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 | \$ 44,687,816 |
| Restricted Cash and investments | 323,372 |
| Total Governmental Cash and investments | <u>45,011,188</u> |
| Business Type Activities | 672,297 |
| Total Cash and Investments | <u><u>\$ 45,683,485</u></u> |

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

| | |
|---|-----------------------------|
| Cash and Deposits: | |
| Cash on hand | \$ 850 |
| Deposits in Town's depository institution (less outstanding checks) | 5,084,896 |
| Deposits with fiscal agents | <u>323,372</u> |
| Total Cash and Deposits | <u>5,409,118</u> |
| Investments: | |
| In Town's pool | <u>40,274,366</u> |
| Total Cash and Investments | <u><u>\$ 45,683,485</u></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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3: DETAILED NOTES (CONTINUED)

At year end, the carrying amount of the Town's cash deposits (including amount in checking accounts and money market accounts) was \$5,084,896 and the bank balance was \$5,440,675. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$1,172,065 was covered by federal depository insurance and \$4,268,610 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 |

As of June 30, 2013, the Town had the following investments:

| | Maturities | | | Fair Value | Weighted Average Maturity (Years) |
|-------------------------------------|----------------------|---------------------|--------------|----------------------|-----------------------------------|
| | 0 - 1 year | 1 - 5 years | Over 5 years | | |
| Investments | | | | | |
| U.S. Government Agency Securities | \$ 4,157,649 | \$11,060,013 | \$ - | \$ 15,217,662 | 0.72 |
| Corporate Notes | 2,221,651 | 4,220,023 | - | 6,441,674 | 0.26 |
| Local Agency Investment Fund (LAIF) | 18,615,031 | - | - | 18,615,031 | - |
| Total Investments | \$ 24,994,331 | \$15,280,036 | \$ - | \$ 40,274,366 | 0.31 |

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 \$40,274,366 investment portfolio, over 60% 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, 2013.

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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3: DETAILED NOTES (CONTINUED)

| Investments at June 30, 2013 | Standard & Poor's | % of Portfolio |
|--|-------------------|----------------|
| Federal Home Loan Mortgage Corporation | AA+ | 7.7% |
| Federal Home Loan Bank | AA+ | 6.9% |
| Federal National Mortgage Association | AA+ | 7.7% |
| Federal Farm Credit Bank | AA+ | 7.9% |
| US Treasury | TSY | 8.0% |
| Commercial Paper | A-1+ | 2.2% |
| Corporate Obligations | A | 4.9% |
| Corporate Obligations | A- | 0.7% |
| Corporate Obligations | A+ | 3.8% |
| Corporate Obligations | AA | 1.7% |
| Corporate Obligations | AA- | 2.2% |
| Corporate Obligations | AA+ | 0.7% |
| LAIF | Unrated | 45.6% |
| Total | | <u>100.0%</u> |

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.

Concentration of Credit Risk

Over 38% 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 16.2% of the portfolio invested in corporate notes and money market funds, no investment in a single issuer exceeds 1.1%.

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, 2013, the Town's investment position in the State of California Local Agency Investment Fund (LAIF) was \$18,615,031. The total amount invested by all public agencies in LAIF on that day was \$58,803,312,428. Of that amount, 98.04% is invested in non-derivative financial products and 1.96% 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 receivable also includes a note from the Humane Society of Truckee-Tahoe related to the construction of the Town's new animal shelter.

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, 2013

NOTE 3: DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

| | Beginning Balance July 1, 2012 | Additions/ Adjustments | Retirements/ Adjustments | Balance June 30, 2013 |
|--|--------------------------------------|---------------------------|-----------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 6,960,070 | \$ - | | \$ 6,960,070 |
| Right of Way | 44,046,305 | 946,281 | - | 44,992,586 |
| Construction in Progress | 22,084,434 | 8,222,812 | (18,882,011) | 11,425,235 |
| Total Capital Assets, Not Being Depreciated | <u>73,090,809</u> | <u>9,169,093</u> | <u>(18,882,011)</u> | <u>63,377,891</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and improvements | 10,147,902 | 14,379,946 | - | 24,527,848 |
| Equipment | 12,593,165 | 2,705,077 | (167,543) | 15,130,699 |
| Infrastructure | 48,200,575 | 1,479,143 | - | 49,679,718 |
| Total Capital Assets, Being Depreciated | <u>70,941,642</u> | <u>18,564,166</u> | <u>(167,543)</u> | <u>89,338,265</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and improvements | (2,527,040) | (565,693) | - | (3,092,733) |
| Equipment | (8,759,540) | (869,409) | 128,488 | (9,500,461) |
| Infrastructure | (18,622,434) | (3,007,865) | - | (21,630,299) |
| Total Accumulated Depreciation | <u>(29,909,014)</u> | <u>(4,442,967)</u> | <u>128,488</u> | <u>(34,223,493)</u> |
| Total Capital Assets, Being Depreciated, Net | 41,032,628 | 14,121,199 | (39,055) | 55,114,772 |
| Governmental Activities Capital Assets, Net | <u>\$ 114,123,437</u> | <u>\$ 23,290,292</u> | <u>(18,921,066)</u> | <u>\$ 118,492,663</u> |
| | | | | |
| | Balance June 30, 2012 | Additions/ Adjustments | Retirements/ Adjustments | Balance June 30, 2013 |
| Business-Type Activities | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Structures and improvements | \$ 321,269 | \$ 50,147 | \$ - | \$ 371,416 |
| Equipment | 786,145 | 20,198 | (12,433) | 793,910 |
| Total Capital Assets, Being Depreciated | <u>1,107,414</u> | <u>70,345</u> | <u>(12,433)</u> | <u>1,165,326</u> |
| Less Accumulated Depreciation For: | | | | |
| Structures and improvements | (69,929) | (16,705) | - | (86,634) |
| Equipment | (580,498) | (68,022) | 12,433 | (636,087) |
| Total Accumulated Depreciation | <u>(650,427)</u> | <u>(84,728)</u> | <u>12,433</u> | <u>(722,721)</u> |
| Total Capital Assets, Being Depreciated, Net | 456,987 | (14,382) | - | 442,605 |
| Business-Type Activities Capital Assets, Net | <u>\$ 456,987</u> | <u>\$ (14,382)</u> | <u>\$ -</u> | <u>\$ 442,605</u> |

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3: DETAILED NOTES (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|---|----------------------------|
| General government | \$ 313,332 |
| Public safety | 161,914 |
| Public works | <u>3,967,721</u> |
| Total Depreciation Expense - Governmental Functions | <u><u>\$ 4,442,967</u></u> |

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

| | |
|--|-------------------------|
| Parking | \$ 2,831 |
| Solid Waste | 3,333 |
| Building and Safety | 4,490 |
| Transit | <u>74,074</u> |
| Total Depreciation Expense - Business-Type Functions | <u><u>\$ 84,728</u></u> |

Construction in Progress

Construction in progress for governmental activities relates primarily to work performed on the Animal Shelter, the Truckee River Legacy, Brockway Road and Trout Creek Trails, Glenshire Drive Reconstruction, the Mousehole project, and Streetscape and Roundabout projects. The majority of the deletion from construction in progress for fiscal 2013 is due to the substantial completion of the Town's new public service facility.

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 Position (\$156,991). 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. 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, 2013:

| | Balance July 1, 2012 | Additions/ Adjustments | Retirements | Balance June 30, 2013 | Amounts Due Within One Year |
|--|-----------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Lease Revenue Bonds | \$ 10,095,000 | \$ - | \$ (300,000) | \$ 9,795,000 | \$ 305,000 |
| Less: Unamortized Discount | (62,827) | - | 3,512 | (59,315) | (3,512) |
| Less: Cost of Issuance | (167,208) | - | 10,217 | (156,991) | (10,217) |
| Lease Revenue Bonds, Net | <u>9,864,965</u> | - | <u>(286,271)</u> | <u>9,578,694</u> | <u>291,271</u> |
| Compensated Absences (Note 1M) | <u>885,255</u> | <u>755,778</u> | <u>(706,436)</u> | <u>934,597</u> | <u>86,214</u> |
| Total Governmental Activities - Long-term Liabilities | <u><u>\$ 10,750,220</u></u> | <u><u>\$ 755,778</u></u> | <u><u>\$ (992,707)</u></u> | <u><u>\$ 10,513,291</u></u> | <u><u>\$ 377,485</u></u> |
| Business-Type Activities | | | | | |
| Compensated Absences (Note 1M) | <u>79,991</u> | <u>46,254</u> | <u>(57,035)</u> | <u>69,210</u> | <u>6,480</u> |
| Total Business-Type Activities - Long-term Liabilities | <u><u>\$ 79,991</u></u> | <u><u>\$ 46,254</u></u> | <u><u>\$ (57,035)</u></u> | <u><u>\$ 69,210</u></u> | <u><u>\$ 6,480</u></u> |

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3: DETAILED NOTES (CONTINUED)

As of June 30, 2013 lease revenue bonds consisted of the following:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| 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. | \$ 5,090,000 |
| 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. | 4,705,000 |
| Total Lease Revenue Bonds | <u><u>\$ 9,795,000</u></u> |

The annual aggregate maturities for years subsequent to June 30, 2013 are as follows:

| Lease Revenue Bonds Year Ended June 30 | Governmental Activities | | | | Total Principal & Net Interest |
|--|----------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------------------|
| | Principal | Gross Interest Revenue Bonds | Less US Treasury Subsidy | Net Interest Revenue Bonds | |
| 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 | 345,000 | 472,226 | (92,087) | 380,139 | 725,139 |
| 2019-2023 | 1,925,000 | 2,147,187 | (460,434) | 1,686,753 | 3,611,753 |
| 2024-2028 | 2,380,000 | 1,658,444 | (430,317) | 1,228,127 | 3,608,127 |
| 2029-2033 | 2,100,000 | 974,106 | (314,676) | 659,430 | 2,759,430 |
| 2034-2038 | 1,205,000 | 469,853 | (164,448) | 305,404 | 1,510,404 |
| 2039-2040 | 565,000 | 45,228 | (15,830) | 29,398 | 594,398 |
| Total | <u><u>\$ 9,795,000</u></u> | <u><u>\$ 7,766,170</u></u> | <u><u>\$ (1,846,139)</u></u> | <u><u>\$ 5,920,032</u></u> | <u><u>\$ 15,715,032</u></u> |

E. Leases

Operating Leases

Rental expenses incurred under operating leases are not considered material.

F. Interfund Transactions

Due To/From Other Funds

Operating receivables and payables between funds are classified as due from or due to the General Fund. Amounts due from other funds include 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, 2013:

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3: DETAILED NOTES (CONTINUED)

| | <u>Due from Other funds</u> | <u>Due to Other funds</u> |
|-----------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 41,802 | \$ - |
| Nonmajor Governmental Funds | - | 850 |
| Transit | - | 40,952 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 41,802</u> | <u>\$ 41,802</u> |

Transfers

Transfers are indicative of funding for or purchase of capital projects, lease payments or debt service, and re-allocations of special revenues. The following are the interfund transfers for the year ended June 30, 2013:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|-----------------------------|-----------------------------|
| General Fund | \$ 2,216,670 | \$ 3,535,735 |
| Measure A/Measure V | - | 2,511,194 |
| Impact Fees | - | 78,442 |
| HOME Grant | - | 26 |
| Capital Projects | 6,536,300 | - |
| Assessment Districts | - | 772,956 |
| Nonmajor Governmental Funds | 1,553,770 | 3,389,697 |
| Building and Safety | - | 18,690 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 10,306,740</u> | <u>\$ 10,306,740</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), a cost sharing 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 three plans for its employees.

| Town Tier | Date of Hire | Miscellaneous Plan | Safety Plan |
|--------------|------------------------------|-----------------------|-------------|
| 1 | Prior to July 1, 2011 | 2.7% at 55 | 3.0% at 50 |
| 2 | July 1, 2011 - Dec. 31, 2011 | 2.5% at 55 | 3.0% at 55 |
| 3 | Jan 1, 2012 and after | 2.0% at 62 | 2.7% at 57 |

The second and third tier plans also have certain other benefit reductions. PERS acts as 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

Each plan requires employee contributions equal to some percentage of the employees' annual covered salary. The Town has a variety of agreements regarding these employee contributions to the PERS retirement program.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

During fiscal 2013 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 contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS. See the following table for both employee and employer required contributions for fiscal 2013.

| Town Tier | Date of Hire | Miscellaneous Plan | FY12/13 Employer Contribution | FY12/13 Employee Contribution | Actual Employee Contribution |
|-----------|------------------------------|--------------------|-------------------------------|-------------------------------|------------------------------|
| 1 | Prior to July 1, 2011 | 2.7% at 55 | 17.875% | 8% | 3.21% |
| 2 | July 1, 2011 - Dec. 31, 2012 | 2.5% at 55 | 13.65% | 8% | 8% |
| 3 | Jan 1, 2012 and after | 2.0% at 62 | 6.50% | 6.5% | 6.5% |

| Town Tier | Date of Hire | Safety Plan | FY12/13 Employer Contribution | FY12/13 Employee Contribution | Actual Employee Contribution |
|-----------|------------------------------|-------------|-------------------------------|-------------------------------|------------------------------|
| 1 | Prior to July 1, 2011 | 3.0% at 50 | 29.235% | 9% | 4.5% |
| 2 | July 1, 2011 - Dec. 31, 2012 | 3.0% at 55 | 22.062% | 9% | 9% |
| 3 | Jan 1, 2012 and after | 2.7% at 57 | 12.250% | 12.25% | 9% |

Annual Pension Cost

For fiscal 2013, the Town's annual pension cost of \$824,782 for the miscellaneous plan and \$506,042 for the safety plan was equal to the Town's actual contributions. The required contributions for fiscal 2013 were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.3 percent to 14.2 percent, depending on age, service, and type of employment, and (c) 2.75 percent per year cost of living adjustment. Both (a) and (b) included an inflation component of 2.75 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, 2011 | \$ 1,326,851 | 100% | - |
| June 30, 2012 | 1,399,014 | 100% | - |
| June 30, 2013 | 1,330,824 | 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 is being amortized in the Government Wide statements over ten years for the Miscellaneous plan and seven years for the Safety plan beginning in fiscal 2012.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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.

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 36 retirees eligible to participate in the plan and 83 active employees who participate in the health plan.

Funding Policy

Employees become eligible to retire under PEMHCA and receive 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 2013 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, 2013, 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, 2013 were as follows:

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

| | |
|--|---------------------------|
| 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 | 141,205 |
| Net OPEB obligation July 1, 2012 | <u>21,832</u> |
| Net OPEB asset, June 30, 2013 | <u><u>\$ (52,515)</u></u> |

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, 2013 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 Liability(Asset)</u> |
|-------------------|-------------------------|-------------------------------------|-------------------------------|--|
| June 30, 2012 | \$ 66,858 | \$ 45,026 | 67% | \$ 21,832 |
| June 30, 2013 | 66,858 | 141,205 | 211% | (52,515) |

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

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5: RISK MANAGEMENT (CONTINUED)

direction of a 9 member executive committee consisting of representatives of the 35 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.

NOTE 6: OTHER INFORMATION

A. Construction Commitments

The Town has signed agreements for \$9,776,863 in various construction projects that were not complete as of June 30, 2013. Construction completed and paid subsequent to June 30, 2013 on these projects was \$3,961,243. The Town has also signed agreements for construction projects subsequent to June 30, 2013 in the amount of \$3,144,677 of which \$458,279 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, 2013

NOTE 7: PRIOR PERIOD ADJUSTMENTS

The Town determined that public works inventory has reached a material level. As of July 1, 2012, the inventory balance on hand was \$540,267. Both the fund financial statements and government-wide financial statements reflect an adjustment to fund balance and net position, respectively, for the beginning balance of inventory. On an ongoing basis, the inventory balance will be adjusted at the end of each fiscal year with an adjustment to public works expenditures in the fund financial statements.

| <u>Fund</u> | <u>Description of Restatement</u> | <u>Amount</u> |
|--|--|-------------------|
| <u>Governmental Funds</u> | | |
| General Fund | Increase fund balance for inventory balance on hand 7/1/2012 | \$ 540,267 |
| Total Governmental Fund Balance Restatement | | \$ 540,267 |

Government Wide

| <u>Description of Restatement</u> | <u>Amount</u> |
|--|-------------------|
| Increase fund balance for inventory balance on hand 7/1/2012 | \$ 540,267 |
| Total Government Wide Restatement | \$ 540,267 |

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8: EXTRAORINDARY ITEMS

During fiscal 2013, the Town continued the wind-down of former Redevelopment Agency, including completion of a review by the State of California Department of Finance (DOF). Per the DOF review, the Town transferred cash of the former Agency in the amount of \$2,466,566 to Nevada County for distribution to the pass-through agencies. This transfer created an extraordinary loss in the Redevelopment Successor Agency fiduciary fund. Additionally, the DOF required the transfer of three down-payment assistance loans from the Housing Successor Agency to the Redevelopment Successor Agency. The transfer of the loans created an extraordinary loss in the Government Wide Statement of Activities (Governmental Activities) and an extraordinary gain in the Fiduciary Fund Statement of Activities.

| <u>Fiduciary Funds</u> | <u>Description of Extraordinary Items</u> | <u>Amount</u> |
|-----------------------------------|--|-----------------------|
| Redevelopment Successor Agency | Extraordinary Gain for loans transferred from Town Housing Successor Agency | \$ 244,699 |
| | Extraordinary Loss for payment of funds to Nevada County per DOF Review | (2,466,566) |
| | Total Fiduciary Fund Extraordinary Gain(Loss) | \$ (2,221,867) |
| <u>Government Wide</u> | Extraordinary Loss for loans transferred from Town Housing Successor Agency | \$ (244,699) |
| | Total Government Wide Extraordinary Gain(Loss) | \$ (244,699) |

NOTE 9: 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 | \$ 755,900 |
| Investments | 7,700,420 |
| | <hr/> |
| Total Cash and Investments | \$ 8,456,320 |

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9: FIDUCIARY FUNDS (CONTINUED)

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

| | |
|---|----------------------------|
| Cash and Deposits: | |
| Deposits in Town's depository institution (less outstanding checks) | \$ 130,401 |
| Deposits with fiscal agents | <u>1,218,297</u> |
| Total Cash and Deposits | <u>1,348,698</u> |
| Investments: | |
| In Town's pool | <u>7,107,622</u> |
| Total Cash and Investments | <u><u>\$ 8,456,320</u></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 \$1,348,698 and the bank balance was \$1,348,698. Of the bank balance, \$631,310 was covered by federal depository insurance and \$717,388 was uninsured and collateralized (i.e. collateralized with securities held by the pledging financial institution at 110 percent of the deposits, in accordance with the State of California Government Code, deemed to be held in the Agency's name).

Investments

The Agency bond proceeds investment policy authorized investments include:

| <u>Investment Category</u> | <u>Standard</u> |
|------------------------------------|-----------------------------|
| 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, 2013, the Agency had the following investments:

| | <u>Maturities</u> | | | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|---------------------------------------|----------------------------|--------------------------|---------------------|----------------------------|--|
| | <u>0 - 1 year</u> | <u>1 - 5 years</u> | <u>Over 5 years</u> | | |
| Investments in Investment Pool | | | | | |
| U.S. Government Agency Securities | \$ 6,293,909 | \$ 154,352 | \$ - | \$ 6,448,261 | 0.41 |
| Local Agency Investment Fund (LAIF) | <u>659,361</u> | <u>-</u> | <u>-</u> | <u>659,361</u> | <u>-</u> |
| Total Investments in Investment Pool | <u><u>\$ 6,953,270</u></u> | <u><u>\$ 154,352</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 7,107,622</u></u> | <u><u>0.37</u></u> |

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9: FIDUCIARY FUNDS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Agency are invested in accordance with the investment policies of the Agency. Of the Agency's \$7,107,622 investment portfolio, over 97% 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, 2013.

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, 2013 | Standard & Poor's | % of Portfolio |
|--|-------------------|----------------|
| Federal Home Loan Mortgage Corporation | AA+ | 17.1% |
| Federal Home Loan Bank | AA+ | 18.8% |
| Federal National Mortgage Association | AA+ | 29.2% |
| Federal Farm Credit Bank | AA+ | 3.4% |
| US Treasury | TSY | 22.1% |
| Corporate Obligations | AA+ | 0.0% |
| LAIF | Unrated | 9.4% |
| Total | | 100.0% |

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 92% 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 .5% of the portfolio invested in corporate notes and money market funds, no investment in a single issuer exceeds .5%.

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, 2013, the Agency's investment position in the State of California Local Agency Investment Fund (LAIF) was \$659,361. The total amount invested by all public agencies in LAIF on that day was \$58,803,312,428. Of that amount, 98.04% is invested in non-derivative financial products and 1.96% in structured notes and asset-backed securities.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9: FIDUCIARY FUNDS (CONTINUED)

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, 2013 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.

D. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

| | Balance June 30, 2012 | Additions/ Adjustments | Retirements/ Adjustments | Balance June 30, 2013 |
|--|--------------------------|---------------------------|-----------------------------|--------------------------|
| Fiduciary Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 5,090 | \$ - | \$ - | \$ 5,090 |
| Total Capital Assets, Not Being Depreciated | 5,090 | - | - | 5,090 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and improvements | 67,440 | - | - | 67,440 |
| Equipment | 150,376 | - | - | 150,376 |
| Total Capital Assets, Being Depreciated | 217,816 | - | - | 217,816 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and improvements | (2,984) | (7,162) | - | (10,146) |
| Equipment | (6,654) | (15,969) | - | (22,623) |
| Total Accumulated Depreciation | (9,638) | (23,131) | - | (32,769) |
| Total Capital Assets, Being Depreciated, Net | 208,178 | (23,131) | - | 185,047 |
| Fiduciary Activities Capital Assets, Net | <u>\$ 213,268</u> | <u>\$ (23,131)</u> | <u>\$ -</u> | <u>\$ 190,137</u> |

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|--|------------------|
| Community Development | <u>\$ 23,131</u> |
| Total Depreciation Expense - Fiduciary Functions | <u>\$ 23,131</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 Position (\$446,286). 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.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9: FIDUCIARY FUNDS (CONTINUED)

The following is a summary of all long-term liabilities activity for the year ended June 30, 2013:

| | Balance June 30, 2012 | Additions/ Adjustments | Retirements | Balance June 30, 2013 | Amounts Due Within One Year |
|--|--------------------------|---------------------------|-------------|--------------------------|--------------------------------|
| Tax Increment Revenue Bonds | \$ 12,740,000 | \$ - | \$ - | \$ 12,740,000 | \$ 40,000 |
| Less: Unamortized Discount | (51,480) | - | 1,860 | (49,620) | (1,860) |
| Less: Cost of Issuance | (463,022) | - | 16,736 | (446,286) | (16,736) |
| Tax Increment Revenue Bonds, Net | 12,225,498 | - | 18,596 | 12,244,094 | 21,404 |
| Compensated Absences (Note 1M) | 26,000 | 730 | (1,737) | 24,993 | 1,785 |
| Total Fiduciary Activities - Long-term Liabilities | \$ 12,251,498 | \$ 730 | \$ 16,859 | \$ 12,269,087 | \$ 23,189 |

As of June 30, 2013 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 | \$ 12,740,000 |

The annual aggregate maturities for years subsequent to June 30, 2013 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 | |
| 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 | 115,000 | 733,588 | (123,694) | 609,894 | 724,894 |
| 2019-2023 | 930,000 | 3,577,620 | (618,469) | 2,959,150 | 3,889,150 |
| 2024-2028 | 1,685,000 | 3,290,657 | (618,469) | 2,672,188 | 4,357,188 |
| 2029-2033 | 2,725,000 | 2,741,960 | (618,469) | 2,123,491 | 4,848,491 |
| 2034-2038 | 3,945,000 | 1,855,659 | (613,308) | 1,242,351 | 5,187,351 |
| 2039-2041 | 3,075,000 | 387,734 | (174,480) | 213,254 | 3,288,254 |
| | \$ 12,740,000 | \$ 15,549,955 | \$ (3,261,664) | \$ 12,288,291 | \$ 25,028,291 |

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, 2013

| REVENUES | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------------|----------------------|----------------------|---|
| Taxes and assessments | \$ 13,207,098 | \$ 13,207,098 | \$ 14,572,532 | \$ 1,365,434 |
| Licenses and permits | 25,000 | 25,000 | 33,574 | 8,574 |
| Fines and forfeitures | 285,000 | 285,000 | 250,523 | (34,477) |
| Use of money and property | 102,000 | 102,000 | 9,309 | (92,691) |
| Intergovernmental revenues | 1,516,659 | 1,516,659 | 1,582,502 | 65,843 |
| Charges for services | 775,925 | 775,925 | 873,333 | 97,408 |
| Other revenues | 312,737 | 312,737 | 285,098 | (27,639) |
| Total Revenues | 16,224,419 | 16,224,419 | 17,606,871 | 1,382,452 |
| | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,254,647 | 3,273,647 | 3,094,236 | 179,411 |
| Public safety | 5,719,589 | 5,719,589 | 5,582,781 | 136,808 |
| Public works | 5,069,579 | 5,069,579 | 5,027,815 | 41,764 |
| Community development | 692,190 | 692,190 | 684,282 | 7,908 |
| Facilities | 1,039,969 | 1,039,969 | 919,996 | 119,973 |
| Capital outlay | 1,059,126 | 1,059,126 | 72,777 | 986,349 |
| Total Expenditures | 16,835,100 | 16,854,100 | 15,381,886 | 1,472,214 |
| Excess of Revenues Over (Under) Expenditures | (610,681) | (629,681) | 2,224,985 | 2,854,666 |
| | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,620,783 | 1,620,783 | 2,216,670 | 595,887 |
| Transfers out | (3,913,893) | (3,913,893) | (3,535,735) | 378,158 |
| Total Other Financing Sources (Uses) | (2,293,110) | (2,293,110) | (1,319,065) | 974,045 |
| Net Change in Fund Balances | (2,903,791) | (2,922,791) | 905,920 | 3,828,711 |
| Beginning Fund Balances | 15,771,322 | 15,771,322 | 18,132,287 | 2,360,965 |
| Fund Balances - Ending | \$ 12,867,531 | \$ 12,848,531 | \$ 19,038,207 | \$ 6,189,676 |

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, 2013

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|------------------------|---------------------|---------------------|---|
| <u>REVENUES</u> | | | | |
| Taxes and assessments | \$ 1,505,328 | \$ 1,505,328 | \$ 1,733,409 | \$ 228,081 |
| Use of money and property | 30,000 | 30,000 | 21,986 | (8,014) |
| Total Revenues | <u>1,535,328</u> | <u>1,535,328</u> | <u>1,755,395</u> | <u>220,067</u> |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| General government | - | - | 172 | (172) |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>172</u> | <u>(172)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,535,328</u> | <u>1,535,328</u> | <u>1,755,223</u> | <u>219,895</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (7,167,948) | (7,167,948) | (2,511,194) | 4,656,754 |
| Total Other Financing Sources (Uses) | <u>(7,167,948)</u> | <u>(7,167,948)</u> | <u>(2,511,194)</u> | <u>4,656,754</u> |
| Net Change in Fund Balances | <u>(5,632,620)</u> | <u>(5,632,620)</u> | <u>(755,971)</u> | <u>4,876,649</u> |
| Fund Balances - Beginning | <u>5,989,273</u> | <u>5,989,273</u> | <u>6,546,355</u> | <u>557,082</u> |
| Fund Balances - Ending | <u>\$ 356,653</u> | <u>\$ 356,653</u> | <u>\$ 5,790,384</u> | <u>\$ 5,433,731</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, 2013

| REVENUES | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------------|---------------------|---------------------|---|
| Use of money and property | \$ 21,000 | \$ 21,000 | \$ 19,867 | \$ (1,133) |
| Charges for services | <u>220,000</u> | <u>220,000</u> | <u>465,382</u> | <u>245,382</u> |
| Total Revenues | <u>241,000</u> | <u>241,000</u> | <u>485,249</u> | <u>244,249</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | <u>4,000</u> | <u>4,000</u> | <u>4,752</u> | <u>(752)</u> |
| Total Expenditures | <u>4,000</u> | <u>4,000</u> | <u>4,752</u> | <u>(752)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>237,000</u> | <u>237,000</u> | <u>480,497</u> | <u>243,497</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(2,294,182)</u> | <u>(2,294,182)</u> | <u>(78,442)</u> | <u>2,215,740</u> |
| Total Other Financing Sources (Uses) | <u>(2,294,182)</u> | <u>(2,294,182)</u> | <u>(78,442)</u> | <u>2,215,740</u> |
| Net Change in Fund Balances | <u>(2,057,182)</u> | <u>(2,057,182)</u> | <u>402,055</u> | <u>2,459,237</u> |
| Fund Balances - Beginning | <u>6,686,893</u> | <u>6,686,893</u> | <u>6,745,160</u> | <u>58,267</u> |
| Fund Balances - Ending | <u>\$ 4,629,711</u> | <u>\$ 4,629,711</u> | <u>\$ 7,147,215</u> | <u>\$ 2,517,504</u> |

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, 2013

| REVENUES | Original Budget* | Final Budget* | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------------------------|----------------------|---------------|---|
| Use of money and property | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | - | - | - | - |
| Total Revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (26) | (26) |
| Total Other Financing Sources (Uses) | - | - | (26) | (26) |
| Net Change in Fund Balances | - | - | (26) | (26) |
| Fund Balances - Beginning | - | - | 26 | 26 |
| Fund Balances - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

*The Town did not adopt a budget for the Home Grant Fund for the year ending June, 30 2013

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, 2013

| <u>REVENUES</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------------|----------------------------|----------------------|--|
| Charges for services | \$ 766,000 | \$ 766,000 | \$ 767,766 | \$ 1,766 |
| Use of money and property | 30,000 | 30,000 | 19,551 | (10,449) |
| Total Revenues | <u>796,000</u> | <u>796,000</u> | <u>787,317</u> | <u>(8,683)</u> |
| | | | | |
| <u>EXPENDITURES</u> | | | | |
| Current: | | | | |
| Public works | 4,400 | 4,400 | 4,353 | 47 |
| Total Expenditures | <u>4,400</u> | <u>4,400</u> | <u>4,353</u> | <u>47</u> |
| Excess of Revenues Over (Under) Expenditures | <u>791,600</u> | <u>791,600</u> | <u>782,964</u> | <u>(8,636)</u> |
| | | | | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers out | (1,775,000) | (1,775,000) | (772,956) | 1,002,044 |
| Net Change in Fund Balances | (983,400) | (983,400) | 10,008 | 993,408 |
| Fund Balances - Beginning | <u>6,574,368</u> | <u>6,574,368</u> | <u>6,568,137</u> | <u>(6,231)</u> |
| Fund Balances - Ending | <u>\$ 5,590,968</u> | <u>\$ 5,590,968</u> | <u>\$ 6,578,145</u> | <u>\$ 987,177</u> |

See accompanying note to the required supplementary information.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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 Administrative Services 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 Town's general fund and major special revenue funds did not have any material excess expenditures over appropriations for fiscal 2013.

TOWN OF TRUCKEE, CALIFORNIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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.

Tier 1

Miscellaneous Plan:

| Valuation Date | Entry Age Normal Accrued Liability (AL) | Actuarial Value of Assets (AVA) | Unfunded Liability (Excess Assets) (UL) | Funded Status (AVA/AL) | Annual Covered Payroll | UL as a % of Payroll |
|----------------|--|------------------------------------|---|---------------------------|---------------------------|-------------------------|
| 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% |
| June 30, 2011 | 2,486,708,579 | 1,981,073,089 | 505,635,490 | 79.7% | 427,300,410 | 118.3% |

Safety Plan:

| Valuation Date | Entry Age Normal Accrued Liability (AL) | Actuarial Value of Assets (AVA) | Unfunded Liability (Excess Assets) (UL) | Funded Status (AVA/AL) | Annual Covered Payroll | UL as a % of Payroll |
|----------------|--|------------------------------------|---|---------------------------|---------------------------|-------------------------|
| 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% |
| June 30, 2011 | 10,951,745,049 | 9,135,654,246 | 1,816,090,803 | 83.4% | 949,833,090 | 191.2% |

Tier 2

Miscellaneous Plan:

| Valuation Date | Entry Age Normal Accrued Liability (AL) | Actuarial Value of Assets (AVA) | Unfunded Liability (Excess Assets) (UL) | Funded Status (AVA/AL) | Annual Covered Payroll | UL as a % of Payroll |
|----------------|--|------------------------------------|---|---------------------------|---------------------------|-------------------------|
| June 30, 2011 | \$ 2,135,350,204 | \$ 1,724,200,585 | \$ 411,149,619 | 80.8% | \$ 350,121,750 | 117.4% |

Safety Plan:

| Valuation Date | Entry Age Normal Accrued Liability (AL) | Actuarial Value of Assets (AVA) | Unfunded Liability (Excess Assets) (UL) | Funded Status (AVA/AL) | Annual Covered Payroll | UL as a % of Payroll |
|----------------|--|------------------------------------|---|---------------------------|---------------------------|-------------------------|
| June 30, 2011 | \$ 2,061,923,933 | \$ 1,759,286,797 | \$ 302,637,136 | 85.3% | \$ 225,026,216 | 134.5% |

Tier 3

No funding progress information is available for Tier 3 plans as of the date of these financial statements.

D. OTHER POST EMPLOYMENT BENEFITS

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

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liabilities | Unfunded Liability | Funded Ratio | Annual Covered Payroll | UAAL as a % of Covered Payroll |
|-----------------------------|------------------------------|----------------------------------|-----------------------|-----------------|------------------------------|--------------------------------------|
| June 30, 2011 | \$ - | \$ 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, 2013

| <u>ASSETS</u> | Special Revenue Funds | Capital Projects | Debt Service | Totals |
|---|----------------------------------|-------------------------|---------------------|----------------------|
| Cash and investments | \$ 2,080,227 | \$ 4,471,240 | \$ - | \$ 6,551,467 |
| Cash with fiscal agent | 323,372 | - | - | 323,372 |
| Accounts receivable | 22,920 | - | - | 22,920 |
| Interest receivable | 3,728 | - | - | 3,728 |
| Taxes receivable | 39,757 | - | - | 39,757 |
| Due from other governments | 34,983 | - | - | 34,983 |
| Loans receivable | 3,622,347 | - | - | 3,622,347 |
| Total Assets | 6,127,334 | 4,471,240 | - | 10,598,574 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| LIABILITIES | | | | |
| Accounts Payable | 42,508 | 9,449 | - | 51,957 |
| Due to other funds | 850 | - | - | 850 |
| Unearned revenue | 3,655,563 | - | - | 3,655,563 |
| Total Liabilities | 3,698,921 | 9,449 | - | 3,708,370 |
| FUND BALANCES | | | | |
| Restricted | 2,313,435 | - | - | 2,313,435 |
| Assigned | 114,978 | 4,461,791 | - | 4,576,769 |
| Total Fund Balances | 2,428,413 | 4,461,791 | - | 6,890,204 |
| Total Liabilities and Fund Balances | \$ 6,127,334 | \$ 4,471,240 | \$ - | \$ 10,598,574 |

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| REVENUES | Special Revenue Funds | Capital Projects | Debt Service | Totals |
|---|----------------------------------|-------------------------|---------------------|---------------------|
| Taxes and assessments | \$ 1,628,618 | \$ - | \$ - | \$ 1,628,618 |
| Use of money and property | 27,877 | - | - | 27,877 |
| Intergovernmental revenues | 727,809 | 949,125 | - | 1,676,934 |
| Charges for services | 166,174 | - | - | 166,174 |
| Other revenue | 223,033 | - | 88,081 | 311,114 |
| Total Revenues | 2,773,511 | 949,125 | 88,081 | 3,810,717 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 255 | 969 | - | 1,224 |
| Public safety | 140,377 | - | - | 140,377 |
| Public works | 3,169 | - | - | 3,169 |
| Community development | 41,500 | - | - | 41,500 |
| Capital outlay | 13,411 | 224,892 | - | 238,303 |
| Debt service | | | | |
| Principal | - | - | 300,000 | 300,000 |
| Interest and other charges | - | - | 523,101 | 523,101 |
| Total Expenditures | 198,712 | 225,861 | 823,101 | 1,247,674 |
| Excess of Revenues Over (Under) Expenditures | 2,574,799 | 723,264 | (735,020) | 2,563,043 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 730,666 | - | 823,104 | 1,553,770 |
| Transfers out | (3,048,178) | - | (341,519) | (3,389,697) |
| Total Other Financing Sources (Uses) | (2,317,512) | - | 481,585 | (1,835,927) |
| Net Change in Fund Balances | 257,287 | 723,264 | (253,435) | 727,116 |
| Beginning Fund Balances | 2,171,126 | 3,738,527 | 253,435 | 6,163,088 |
| Fund Balances - Ending | \$ 2,428,413 | \$ 4,461,791 | \$ - | \$ 6,890,204 |

NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

| <u>ASSETS</u> | <u>Asset Forfeiture</u> | <u>Abandoned Vehicle</u> | <u>Housing Assistance</u> | <u>Air Quality Mitigation</u> |
|---|--------------------------------|-------------------------------------|--------------------------------------|--|
| Cash and investments | \$ 58,310 | \$ 24,510 | \$ 595,736 | \$ 273,167 |
| Cash with fiscal agent | - | - | - | - |
| Accounts receivable | - | - | - | - |
| Interest receivable | 84 | 35 | 853 | 260 |
| Taxes receivable | - | - | - | - |
| Due from other governments | - | - | - | - |
| Loans receivable | - | - | 891,047 | - |
| Total Assets | <u>58,394</u> | <u>24,545</u> | <u>1,487,636</u> | <u>273,427</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| LIABILITIES | | | | |
| Accounts payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Unearned revenue | - | - | 891,046 | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>891,046</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted | 58,394 | 24,545 | 596,590 | 273,427 |
| Assigned | - | - | - | - |
| Total Fund Balances | <u>58,394</u> | <u>24,545</u> | <u>596,590</u> | <u>273,427</u> |
| Total Liabilities and Fund Balances | <u>\$ 58,394</u> | <u>\$ 24,545</u> | <u>\$ 1,487,636</u> | <u>\$ 273,427</u> |

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

| ASSETS | Downtown in Lieu Parking | Downtown Frontage Improvement | COPS Program | Housing Reimbursement |
|--|-------------------------------------|--|---------------------|----------------------------------|
| Cash and investments | \$ 73,578 | \$ 34,384 | \$ 81,414 | \$ - |
| Cash with fiscal agent | - | - | - | - |
| Accounts receivable | 22,920 | - | - | - |
| Interest receivable | 105 | 49 | 187 | - |
| Taxes receivable | - | - | - | - |
| Due from other governments | - | - | 34,983 | - |
| Loans receivable | - | - | - | 421,287 |
| Total Assets | 96,603 | 34,433 | 116,584 | 421,287 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | - | - | 2,751 | - |
| Due to other funds | - | - | - | - |
| Unearned revenue | 22,920 | - | 10,297 | 421,287 |
| Total Liabilities | 22,920 | - | 13,048 | 421,287 |
| FUND BALANCES | | | | |
| Restricted | 73,683 | 34,433 | 103,536 | - |
| Assigned | - | - | - | - |
| Total Fund Balances | 73,683 | 34,433 | 103,536 | - |
| Total Liabilities and Fund Balances | \$ 96,603 | \$ 34,433 | \$ 116,584 | \$ 421,287 |

Continued (Page 2 of 5)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

| ASSETS | Gas Tax | CDBG 10-STBG- 6741 | Bond Proceeds Fund | Town Housing Fund |
|--|------------------|-------------------------------|-------------------------------|------------------------------|
| Cash and investments | \$ - | \$ - | \$ - | \$ 4,542 |
| Cash with fiscal agent | - | - | 323,372 | - |
| Accounts receivable | - | - | - | - |
| Interest receivable | 24 | 799 | - | 4 |
| Taxes receivable | 39,757 | - | - | - |
| Due from other governments | - | - | - | - |
| Loans receivable | - | 753,765 | - | 711,706 |
| Total Assets | 39,781 | 754,564 | 323,372 | 716,252 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | 39,757 | - | - | - |
| Due to other funds | 24 | 799 | - | - |
| Unearned revenue | - | 753,765 | - | 711,705 |
| Total Liabilities | 39,781 | 754,564 | - | 711,705 |
| FUND BALANCES | | | | |
| Restricted | - | - | 323,372 | 4,547 |
| Assigned | - | - | - | - |
| Total Fund Balances | - | - | 323,372 | 4,547 |
| Total Liabilities and Fund Balances | \$ 39,781 | \$ 754,564 | \$ 323,372 | \$ 716,252 |

Continued (Page 3 of 5)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

| ASSETS | CDBG Miscellaneous Income | Program Income | CDBG Housing Rehab | CalHome Grant |
|--|--|-----------------------|-------------------------------|----------------------|
| Cash and investments | \$ 114,852 | \$ 147,327 | \$ - | \$ - |
| Cash with fiscal agent | - | - | - | - |
| Accounts receivable | - | - | - | - |
| Interest receivable | 126 | 203 | 8 | 15 |
| Taxes receivable | - | - | - | - |
| Due from other governments | - | - | - | - |
| Loans receivable | 25,342 | 101,196 | 54,811 | 657,843 |
| Total Assets | 140,320 | 248,726 | 54,819 | 657,858 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | - | - | - | - |
| Due to other funds | - | - | 8 | 13 |
| Unearned revenue | 25,342 | 101,195 | 54,811 | 657,845 |
| Total Liabilities | 25,342 | 101,195 | 54,819 | 657,858 |
| FUND BALANCES | | | | |
| Restricted | - | 147,531 | - | - |
| Assigned | 114,978 | - | - | - |
| Total Fund Balances | 114,978 | 147,531 | - | - |
| Total Liabilities and Fund Balances | \$ 140,320 | \$ 248,726 | \$ 54,819 | \$ 657,858 |

Continued (Page 4 of 5)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

| ASSETS | CDBG 04-EDBG- 1022 | Impact Fees Miscellaneous | Totals |
|---|-------------------------------|--------------------------------------|---------------------|
| Cash and investments | \$ - | \$ 672,407 | \$ 2,080,227 |
| Cash with fiscal agent | - | - | 323,372 |
| Accounts receivable | - | - | 22,920 |
| Interest receivable | 6 | 970 | 3,728 |
| Taxes receivable | - | - | 39,757 |
| Due from other governments | - | - | 34,983 |
| Loans receivable | 5,350 | - | 3,622,347 |
| Total Assets | 5,356 | 673,377 | 6,127,334 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| LIABILITIES | | | |
| Accounts payable | - | - | 42,508 |
| Due to other funds | 6 | - | 850 |
| Unearned revenue | 5,350 | - | 3,655,563 |
| Total Liabilities | 5,356 | - | 3,698,921 |
| FUND BALANCES | | | |
| Restricted | - | 673,377 | 2,313,435 |
| Assigned | - | - | 114,978 |
| Total Fund Balances | - | 673,377 | 2,428,413 |
| Total Liabilities and Fund Balances | \$ 5,356 | \$ 673,377 | \$ 6,127,334 |

Continued (Page 5 of 5)

TOWN OF TRUCKEE, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

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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, 2013

| | <u>Asset Forfeiture</u> | <u>Abandoned Vehicle</u> | <u>Housing Assistance</u> | <u>Air Quality Mitigation</u> |
|---|-----------------------------|------------------------------|-------------------------------|-----------------------------------|
| REVENUES | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | 406 | 168 | 4,143 | 1,261 |
| Intergovernmental revenues | - | - | - | - |
| Charges for services | - | 1,069 | - | 411 |
| Other revenue | - | - | 208,364 | - |
| Total Revenues | <u>406</u> | <u>1,237</u> | <u>212,507</u> | <u>1,672</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 255 | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Community development | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>255</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>406</u> | <u>982</u> | <u>212,507</u> | <u>1,672</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 580,537 | 92,080 |
| Transfers out | - | - | (580,537) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>92,080</u> |
| Net Change in Fund Balances | 406 | 982 | 212,507 | 93,752 |
| Beginning Fund Balances | 57,988 | 23,563 | 384,083 | 179,675 |
| Fund Balances - Ending | <u>\$ 58,394</u> | <u>\$ 24,545</u> | <u>\$ 596,590</u> | <u>\$ 273,427</u> |

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| REVENUES | Downtown in Lieu Parking | Downtown Frontage Improvement | COPS Program | Gas Tax |
|---|-------------------------------------|--|---------------------|--------------------|
| Taxes and assessments | \$ 1,500 | \$ - | \$ - | \$ 1,627,118 |
| Use of money and property | 506 | 240 | 1,449 | 117 |
| Intergovernmental revenues | - | - | 89,703 | - |
| Charges for services | - | - | - | - |
| Other revenue | - | - | - | - |
| Total Revenues | 2,006 | 240 | 91,152 | 1,627,235 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | 140,377 | - |
| Public works | - | - | - | - |
| Community development | - | - | - | - |
| Capital outlay | - | - | 13,411 | - |
| Total Expenditures | - | - | 153,788 | - |
| Excess of Revenues Over (Under) Expenditures | 2,006 | 240 | (62,636) | 1,627,235 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (119,791) | (1,665,243) |
| Total Other Financing Sources (Uses) | - | - | (119,791) | (1,665,243) |
| Net Change in Fund Balances | 2,006 | 240 | (182,427) | (38,008) |
| Beginning Fund Balances | 71,677 | 34,193 | 285,963 | 38,008 |
| Fund Balances - Ending | \$ 73,683 | \$ 34,433 | \$ 103,536 | \$ - |

Continued (Page 2 of 5)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| REVENUES | CDBG 09-EDEF- 6535 | CDBG 10-STBG- 6741 | Bond Proceeds Fund | Town Housing Fund |
|---|-------------------------------|-------------------------------|-------------------------------|------------------------------|
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | - | 9,860 | 493 | 2,496 |
| Intergovernmental revenues | 60 | 638,046 | - | - |
| Charges for services | - | - | - | - |
| Other revenue | - | 6,235 | - | 2,051 |
| Total Revenues | 60 | 654,141 | 493 | 4,547 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Community development | 59 | 15,567 | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | 59 | 15,567 | - | - |
| Excess of Revenues Over (Under) Expenditures | 1 | 638,574 | 493 | 4,547 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (9) | (595,472) | (437) | - |
| Total Other Financing Sources (Uses) | (9) | (595,472) | (437) | - |
| Net Change in Fund Balances | (8) | 43,102 | 56 | 4,547 |
| Beginning Fund Balances | 8 | (43,102) | 323,316 | - |
| Fund Balances - Ending | \$ - | \$ - | \$ 323,372 | \$ 4,547 |

Continued (Page 3 of 5)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| REVENUES | CDBG Miscellaneous Income | Program Income | CDBG Housing Rehab | CalHome Grant |
|---|--|---------------------------|-------------------------------|----------------------|
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | 712 | 998 | 35 | 327 |
| Intergovernmental revenues | - | - | - | - |
| Charges for services | - | - | - | - |
| Other revenue | - | - | 1,841 | - |
| Total Revenues | 712 | 998 | 1,876 | 327 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Community development | 25,092 | - | - | 782 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 25,092 | - | - | 782 |
| Excess of Revenues Over (Under) Expenditures | (24,380) | 998 | 1,876 | (455) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 26,968 | 31,081 | - | - |
| Transfers out | - | (26,968) | (5,925) | (9,354) |
| Total Other Financing Sources (Uses) | 26,968 | 4,113 | (5,925) | (9,354) |
| Net Change in Fund Balances | 2,588 | 5,111 | (4,049) | (9,809) |
| Beginning Fund Balances | 112,390 | 142,420 | 4,049 | 9,809 |
| Fund Balances - Ending | \$ 114,978 | \$ 147,531 | \$ - | \$ - |

Continued (Page 4 of 5)

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| REVENUES | CDBG 04-EDBG- 1022 | Impact Fees Miscellaneous | Totals |
|---|-------------------------------|--------------------------------------|---------------------|
| Taxes and assessments | \$ - | \$ - | \$ 1,628,618 |
| Use of money and property | 308 | 4,358 | 27,877 |
| Intergovernmental revenues | - | - | 727,809 |
| Charges for services | - | 164,694 | 166,174 |
| Other revenue | 4,542 | - | 223,033 |
| Total Revenues | 4,850 | 169,052 | 2,773,511 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | - | 255 |
| Public safety | - | - | 140,377 |
| Public works | - | 3,169 | 3,169 |
| Community development | - | - | 41,500 |
| Capital outlay | - | - | 13,411 |
| Total Expenditures | - | 3,169 | 198,712 |
| Excess of Revenues Over (Under) Expenditures | 4,850 | 165,883 | 2,574,799 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 730,666 |
| Transfers out | (4,947) | (39,495) | (3,048,178) |
| Total Other Financing Sources (Uses) | (4,947) | (39,495) | (2,317,512) |
| Net Change in Fund Balances | (97) | 126,388 | 257,287 |
| Beginning Fund Balances | 97 | 546,989 | 2,171,126 |
| Fund Balances - Ending | \$ - | \$ 673,377 | \$ 2,428,413 |

Continued (Page 5 of 5)

NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Funds

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

| <u>ASSETS</u> | <u>Fleet Replacement</u> |
|---|-------------------------------------|
| Cash and investments | \$ 4,471,240 |
| Total Assets | 4,471,240 |
| <u>LIABILITIES AND FUND BALANCES</u> | |
| LIABILITIES | |
| Accounts Payable | 9,449 |
| Total Liabilities | 9,449 |
| FUND BALANCES | |
| Assigned | 4,461,791 |
| Total Fund Balances | 4,461,791 |
| Total Liabilities and Fund Balances | \$ 4,471,240 |

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

| <u>REVENUES</u> | <u>Fleet Replacement</u> |
|---|-------------------------------------|
| Intergovernmental revenues | \$ 949,125 |
| Total Revenues | 949,125 |
| | |
| <u>EXPENDITURES</u> | |
| Current: | |
| General government | 969 |
| Capital outlay | 224,892 |
| Total Expenditures | 225,861 |
| Excess of Revenues Over (Under) Expenditures | 723,264 |
| Net Change in Fund Balances | 723,264 |
| Fund Balances - Beginning | 3,738,527 |
| Fund Balances - Ending | \$ 4,461,791 |

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NONMAJOR GOVERNMENTAL FUNDS
Debt Service Funds

TOWN OF TRUCKEE, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2013

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

TOWN OF TRUCKEE, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| <u>REVENUES</u> | <u>General Fund Debt Service</u> |
|---|---|
| Other revenue | \$ 88,081 |
| Total Revenues | 88,081 |
| | |
| <u>EXPENDITURES</u> | |
| Debt service | |
| Principal | 300,000 |
| Interest and other charges | 523,101 |
| Total Expenditures | 823,101 |
| Excess of Revenues Over (Under) Expenditures | (735,020) |
| | |
| <u>OTHER FINANCING SOURCES (USES)</u> | |
| Transfers in | 823,104 |
| Transfers out | (341,519) |
| Total Other Financing Sources (Uses) | 481,585 |
| Net Change in Fund Balances | (253,435) |
| Fund Balances - Beginning | 253,435 |
| Fund Balances - Ending | \$ - |

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OTHER REPORTS

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INDEPENDENT AUDITOR'S 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
Truckee, California

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Truckee's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Truckee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Truckee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Truckee's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Truckee's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California
November 27, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Town Council
Town of Truckee

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Truckee's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Truckee's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Truckee, complied, in all material respects, with the types of 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, 2013.

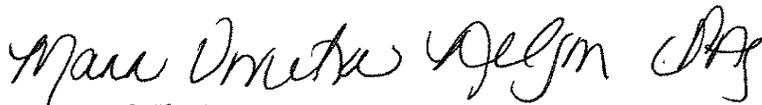
Report on Internal Control Over Compliance

Management of the Town of Truckee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Truckee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Marc Umetsu" followed by a stylized monogram or initials.

Sacramento, California
November 27, 2013

**TOWN OF TRUCKEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| <u>Federal Grantor/Pass-Through Grantor Program</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number/Grant Number</u> | <u>Federal Expenditures</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 | \$ 59 |
| Community Development Block Grants/State's Program and Non Entitlement Grants in Hawaii | 14.228 | 10-STBG-6741 | <u>594,944</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>595,003</u> |
| U.S. Department of Justice | | | |
| Direct Programs: | | | |
| ARRA: Justice Assistance Grant Program | 16.804 | 2009-SB-B9-2975 | <u>2,457</u> |
| Total U.S. Department of Justice | | | <u>2,457</u> |
| U.S Department of Transportation | | | |
| Pass-Through State of California Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | HPLU-5473(007) | <u>313,768</u> |
| Formula Grants for Other than Urbanized Areas | 20.509 | 649968 | 50,148 |
| Formula Grants for Other than Urbanized Areas | 20.509 | 641175 | <u>61,857</u> |
| Total Formula Grants for Other than Urbanized Areas | | | <u>112,005</u> |
| Total U.S. Department of Transportation | | | <u>425,773</u> |
| Total Expenditures of Federal Awards | | | \$ <u>1,023,233</u> |

**TOWN OF TRUCKEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013:

| Federal CFDA Number | Program Title | Amount Outstanding |
|------------------------|---|-----------------------|
| 14.228 | Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | \$ 813,926 |
| 14.239 | Home Investment Partnerships Program | <u>10,537,988</u> |
| | Total Loans Outstanding | <u>\$ 11,351,914</u> |

**TOWN OF TRUCKEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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: Community Development Block Grants/State's Program and Non Entitlement Grants in Hawaii, 14.228 | |
| 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 |
|--|----|

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 |
|---|----|

**TOWN OF TRUCKEE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2013**

There were no findings to report for the year ended June 30, 2012.