REDEVELOPMENT AGENCY OF PLACER COUNTY
(A Component Unit of the County of Placer, California)

**INDEPENDENT AUDITOR'S REPORTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION AND
OTHER SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2011

MGO Certified Public Accountants.

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
FOR THE YEAR ENDED JUNE 30, 2011

PAGE

To the Board of Directors
Redevelopment Agency of
Placer County
Auburn, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of Placer County (Agency), a component unit of the County of Placer, California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B, effective July 1, 2010, the Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual – low and moderate income special revenue fund, as listed in the accompanying 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2011

As management of the Redevelopment Agency of Placer County (the Agency), a component unit of the County of Placer, (the County) we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded liabilities at the end of the fiscal year by $26,247,208 (net assets).
- The Agency's governmental funds reported an ending fund balance of $19,556,977.
- During the year, the Agency's revenues generated from property taxes (net of pass-throughs to local agencies and the SERAF shift to the State) and governmental programs totaled $8,318,497 and were $3,809,949 more than the $4,508,548 of governmental program expenses.
- Property tax increment increased by $1,661,468 from FY 2009-2010 to FY 2010-2011. The current year's property tax increment revenue received by the Agency from the County was increased primarily due to State Assembly Bill (AB) 26 4x, which required the revenue shift of $657,451 of the Agency's property tax increment to the Supplemental Education Revenue Augmentation Fund (SERAF) during FY 2010-2011 compared to a revenue shift of $3,193,331 in the prior fiscal year.
- FY 2010-2011 payments to other agencies were $2,483,566 less than FY 2009-2010 primarily due to the $1,030,982 decrease in contributions to Placer County's Department of Public Works for the highway 65 interchange project ($1,000,000) and the Tahoe City transit station project ($30,982) combined with the $1,161,931 decrease in contribution to Placer County's Department of Facility Services for the highway 49 siphon lift station project.
- Total capital assets of the Agency, which includes, intangibles, land, buildings, infrastructure, construction in progress and equipment, valued on an acquisition cost basis was $21,256,127. After depreciation, the June 30, 2011 book value for capital assets totaled $20,017,182.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements.

- The government-wide financial statements provide both long-term and short-term information about the Agency's overall financial status.
- The fund financial statements focus on individual functions (housing and community development) of the Agency, reporting the Agency's operations in more detail than the government-wide statements.
  - The governmental funds statements offer short-term financial information about the Low and Moderate Income and Capital Projects Funds.
  - Included in the Supplemental Information are combining Fund Financial Statements that detail the activities of the Low and Moderate Income Special Revenue Fund and Capital Projects Funds by Project Area.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements report information about the Agency and its activities. The statements include all assets and liabilities of the Agency using the accrual basis of accounting, which is similar to the accounting 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 or paid.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the housing and community development functions of the Agency that are principally supported by taxes and intergovernmental revenues. The Agency's function is to improve, rehabilitate and develop certain areas within the County. This is funded primarily with incremental property tax revenue. The government-wide financial statements can be found on pages 11 and 12 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Agency's basic activities are reported in the governmental funds, which focus on the flow of financial resources into and out of the funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's near-term financing requirements.

The Agency maintains major governmental funds for: its special revenue and capital projects funds in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in 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 Agency's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities.* The governmental fund financial statements can be found on pages 13 through 15 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $26,247,208 at the close of the most recent fiscal year.

The Agency has $6,390,574 invested in capital assets, net of related debt (e.g., intangibles, land, equipment, infrastructure and construction in progress). Any investment in capital assets limits the use of assets for future spending. Additionally, the Agency has restricted $2,847,437 of net assets for future debt service requirements, $12,360,508 for housing projects. The unrestricted net assets of the Agency are available for future use to provide program services. The Agency has $4,648,689 of unrestricted net assets.

Agency's Condensed Statement of Net Assets

	Governmental Activities		
	2011	2010	Variance (%)
Current and other assets	$ 35,263,352	$ 28,644,200	23.1%
Capital assets, net	20,017,182	23,400,937	-14.5%
Total assets	55,280,534	52,045,137	6.2%
Current liabilities	805,559	928,054	-13.2%
Long-term liabilities	28,227,767	28,679,824	-1.6%
Total liabilities	29,033,326	29,607,878	-1.9%
Invested in capital assets, net of related debt	6,390,574	7,047,416	-9.3%
Restricted for debt service	2,847,437	2,953,809	-3.6%
Restricted for housing	12,360,508	2,911,949	324.5%
Unrestricted	4,648,689	9,524,085	-51.2%
	$ 26,247,208	$ 22,437,259	17.0%

During the current fiscal year the net assets of the Agency increased by $3,809,949. This increase comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets. Presented in the Statement of Activities are program expenses by function, general revenues by major source and total net assets.

The cost of governmental activities for the Agency this year was $4,508,548. Total resources for the current year to finance the Agency's operations were $8,318,497. The majority of this revenue was generated from property tax increment, which represents $6,288,607. Total resources for the current year are up $2,547,298 primarily due to the $2,535,880 reduction in property tax increment paid to the State's mandated Supplemental Education Revenue Augmentation Funds (SERAF) payment.

Property taxes allocated to the Agency are computed in the following manner:

a. The assessed valuation of all property within each of the Agency's Project Areas is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.

b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the County and other districts receiving taxes from the project area.

Agency's Condensed Statement of Activities

	Governmental Activities		
	2011	2010	Variance (%)
Revenue:			
Program revenue:			
Intergovermental contributions	$ 1,624,397	$ 95,289	1604.7%
Rental	679	208,871	-99.7%
Project loan repayments - interest	7,139	13,794	-48.3%
General revenue:			
Property tax increment	6,288,607	4,627,139	35.9%
Investment earnings	281,456	825,106	-65.9%
Gain on sale of capital assets	109,991	-	
Miscellaneous	6,228	1,000	522.8%
Total revenue	8,318,497	5,771,199	44.1%
Expenses:			
Housing	662,564	907,242	-27.0%
Commercial development	2,588,157	4,946,103	-47.7%
Interest on long-term debt	1,257,827	1,281,932	-1.9%
Total expenses	4,508,548	7,135,277	-36.8%
Change in net assets	3,809,949	(1,364,078)	-379.3%
Net assets, beginning of year	22,437,259	23,801,337	-5.7%
Net assets, end of year	$ 26,247,208	$ 22,437,259	17.0%

The significant variances between the current fiscal year (2010-2011) and the prior fiscal year (2009-2010) consisted of the following:

- Revenue from intergovernmental contributions increased $1,529,108 from FY 2009-2010 to FY 2010-2011 primarily due to the contribution of $1,054,553 from the Placer County Community Revitalization Fund's State Community Development Block Grant 07-EDOC-3767 to the Rock Creek Plaza improvements project in Auburn and the contribution of $548,089 from the State of California's Department of Housing and Community Development Infill Infrastructure Grant Program to the Kings Beach Scattered Housing Project.

- Rental program revenues decreased $208,192 from FY 2009-2010 to FY 2010-2011 due to the relocation of all housing rental tenants and the demolishing of the Kings Beach rental properties to make way for the Kings Beach Scattered Housing Project.

- Property tax increment increased by $1,661,468 from FY 2009-2010 to FY 2010-2011. The current year's property tax increment revenue received by the Agency from the County was increased primarily due to State Assembly Bill (AB) 26 4x, which required the revenue shift of $657,451 of the Agency's property tax increment to the Supplemental Education Revenue Augmentation Fund (SERAF) during FY 2010-2011 compared to a revenue shift of $3,193,331 in the prior fiscal year.

- Investment earnings decreased by $543,650 from FY 2009-2010 to FY 2010-2011 primarily due to the use of capital for projects and lower interest rates.

- Revenues from the gain on the sale of capital assets increased $109,991 from FY 2009-2010 to FY 2010-2011 due to the sale of land and land related intangibles to Kings Beach Housing Associates for the Kings Beach Scattered Housing Project.

- Housing expenses during FY 2010-2011 decreased $244,678 from FY 2009-2010 primarily due to the following: 1) the operating costs of the housing rental units decreased $122,588 in FY 2010-2011 when compared to FY 2009-2010 and 2) Placer County A-87 expenditures charged to the Housing Fund decreased $134,001 in FY 2010-2011 when compared to FY 2009-2010.

- Commercial development expenses decreased $2,357,946 during FY 2010-2011 from FY 2009-2010 primarily due to the following: 1) $1,000,000 was contributed during the previous fiscal year (2009-2010) to the Placer County's Department of Public Works for the highway 65 interchange project and there were no contributions made during the current fiscal year (2010-2011); 2) $1,161,931 was contributed to the Placer County's Department of Facility Services for the highway 49 siphon lift station project during fiscal year (2009-2010) and there were no contributions made to during the current fiscal year (2010-2011) and 3) Placer County A-87 expenditures charged to commercial development decreased $222,887 in FY 2010-2011 when compared to FY 2009-2010.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's governmental funds are discussed below:

Governmental funds

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported an ending fund balance of $19,556,977. The fund balance primarily represents the accumulation of incremental property tax, bond proceeds and investment earnings in excess of expenditures. The excess fund balance will be used for low and moderate income housing program expenditures, administration and planning and specific capital projects within the project area.

	FY2011		FY2010		Increase/ (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage Change
Taxes	$ 6,288,607	48.9%	$ 4,627,139	78.6%	$ 1,661,468	35.91%
Investment earnings	281,456	2.2%	825,106	14.0%	(543,650)	-65.89%
Intergovernmental contributions	1,624,397	12.6%	95,289	1.6%	1,529,108	1604.71%
Other income	29,599	0.2%	342,514	5.8%	(312,915)	-91.36%
Total revenues	8,224,059	63.9%	5,890,048	100.0%	2,334,011	39.63%
Other financing sources:						
Proceeds from sale of capital assets:	4,650,400	36.1%	-	0.0%	4,650,400	100.00%
Total revenues and other financing sources	$ 12,874,459	100.0%	$ 5,890,048	100.0%	$ 6,984,411	118.58%

Expenditures
Governmental Funds

	FY2011		FY2010		Increase/ (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage Change
Expenditures:						
Administration and planning	$ 1,776,806	10.4%	$ 2,010,437	17.9%	$ (233,631)	-11.62%
Intergovernmental payments	524,643	3.1%	3,008,209	26.8%	(2,483,566)	-82.56%
Project loans issued	11,106,788	64.7%	1,199,197	10.7%	9,907,591	826.19%
Capital outlay	1,993,404	11.6%	3,236,913	28.9%	(1,243,509)	-38.42%
Debt service:						
Principal	521,152	3.0%	504,544	4.5%	16,608	3.29%
Interest	1,234,828	7.2%	1,258,578	11.2%	(23,750)	-1.89%
Total expenditures and other financing uses	$ 17,157,621	100.0%	$ 11,217,878	100.0%	$ 5,939,743	52.95%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the Agency had an investment in capital assets of $20,017,182, net of depreciation, which includes $3,490,861 in construction in progress. During the year ended June 30, 2011, the Agency completed the following projects:

- Two Tahoe City gateway monument signs totaling $258,219.
- Rock Creek Plaza improvement project totaling $1,229,624 ($143,550 of land improvements and $1,086,073 of infrastructure improvements).
- Expended $826,880 on project costs for projects that are currently in progress.
- Transferred ownership of five (5) scattered sites in Kings Beach (Chipmunk, Trout, Fox, Deer and Brook Avenue) to Kings Beach Housing Development Associates, LP, a partner of Domus Development, LLC, for the development of 77 affordable rental units. The net book value of the assets transferred was $4,540,409.
- Demolished buildings on the 8796 & 9798 North Lake Blvd. project site. The net book value of the buildings were $331,500.

For additional information, see Note E in the notes to the basic financial statements.

Long-Term Liabilities

During the year, the Agency's long-term debt activity consisted of the following:

- Repayments of $56,152 on the Agency's three loans from California Infrastructure and Economic Development Bank (CIEDB).
- Repayments of $465,000 on the Tax Allocation Bonds.
- Accrued $28,734 of interest on the loan with the California Housing Finance Agency bringing the total accrued interest to date to $202,833. The accrued interest is payable at maturity.
- Increase of $96,680 in the Agency's liability for compensated absences. $88,446 of the increase amount is due to the addition of sick leave balances to the Agency's compensated absences liability. The addition of sick leave balances is a result of negotiated changes with employee bargaining units during FY 2010-2011.
- Amortized bond discounts by $3,289 bringing the unamortized bond discount balance to ($82,512).
- Decrease of $59,608 in the Agency's pollution remediation obligation.

For additional information, see Note F in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency is currently facing some uncertain times in the 2011-2012 fiscal year. On June 29, 2011, the Governor of the State of California signed Assembly BillX1 26 (ABX1 26), the Redevelopment Agency Dissolution Act, and Assembly Bill X1 27 (AB X1 27), the Redevelopment Agency Voluntary Program Act as part of the FY 2011-2012 State's budget package. AB X1 26 suspend nearly all activities of redevelopment agencies in the state. The bills took effect immediately upon the Governor's signature.

AB X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each County would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. AB X1 26 indicates that the County "may use any available funds not otherwise obligated for other uses" to make this payment. The Placer County Redevelopment Agency (Agency) intends to use available monies for this purpose and the County and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature. Adoption of this ordinance and participation in the payment program is the only means under the legislation to suspend the restrictions imposed through AB X1 26 on Agency activities.

On August 9, 2011, the Board of Supervisors adopted County of Placer Urgency Ordinance No. 5649B electing to participate in the Voluntary Alternative Redevelopment Program. The ordinance took effect immediately. Concurrently, a resolution was adopted by the Redevelopment Agency Board to execute a Remittance Agreement with the County for the payment amount established by the State of $3,806,964 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated $895,856 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. Failure to make these payments would require agencies to be terminated under the provisions of AB X1 26.

This legislation is facing lawsuits challenging its constitutionality. The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay for all of Assembly Bill X1-27 and most of Assembly Bill X1-26. The Court expects to make a decision before January 15, 2012.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that AB X1 26 is upheld and AB X1 27 is not, reimbursements previously paid by the Agency to the County for shared administrative services may be reduced or eliminated. In the event that AB X1 26 is overturned and AB X1 27 is upheld, it is hoped that the ordinances previously adopted by agencies to opt into the payment program will be recognized by the Court and allow those agencies to resume full operations without delay. How or when the Court may ultimately rule is however, to date, unknown. In the event that both bills are found by the courts to be unconstitutional, there is still a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

The following factors were considered in preparing the Agency's budget for the 2011-2012 fiscal year:

During the upcoming budget year, the Agency will continue to focus its efforts on: (1) implementation of major commercial improvement projects in North Auburn; (2) multiple Community Enhancement Projects in Kings Beach; (3) core infrastructure improvement projects needed to encourage private investment in all three Project Areas; (4) commercial and housing rehabilitation loans; (5) promotion and assistance for providing increased affordable housing opportunities; and (6) active coordination with outside agencies, private property owners, developers, community organizations and funding agencies to leverage resources and strategically plan and implement community revitalization efforts.

Due to the uncertainty as to the outcome of the California Supreme Court's decision on the constitutionality of AB X1 26 & 27; the Agency did not include the voluntary payments in their FY 2011-2012 Proposed Budget. See Note N in the accompanying Notes to the Financials for a more detailed disclosure of the facts.

The FY 2011-2012 proposed budget projects:

- Revenues budgeted in the amount of $29,212,535 were projected as follows:
    - Tax increment (net of pass-throughs to local agencies) is projected to decrease from $7,056,269 to $6,703,456 due to a projected decrease in tax increment revenue in all three project areas.
    - The carryover fund balance of $17,277,529 includes a cancellation of prior year reserves and/or designations in the amount of $6,677,454.
- Expenditures for FY 2011-2012 are for
    - A deposit of 20% of the net tax increment is budgeted in the Low and Moderate Income Special Revenue Fund in the amount of $1,830,371.
    - The sum of $4,920,359 is designated as reserves for future capital projects and $1,298,654 for housing projects and program costs.
    - Capital project costs are estimated at $14,140,386.
    - Housing project and program costs are estimated at $8,853,136.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Senior Administrative Services Officer, Cindy Kelly, Placer County Redevelopment Agency, 3091 County Center Drive, Suite 260, Auburn, California 95603.

BASIC FINANCIAL STATEMENTS –

GOVERNMENT-WIDE FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities
ASSETS		
Cash and investments	$	19,816,608
Due from other governments		8,682
Interest receivable		26,593
Prepaid expenses		6,820
Notes receivable, net of discount		14,492,933
Deferred charges		911,716
Capital assets:		
Nondepreciable		11,651,013
Depreciable		8,366,169
Total assets		55,280,534
LIABILITIES		
Accounts payable		85,093
Accrued salaries and benefits		124,687
Due to other governments		91,946
Interest payable		503,833
Long-term liabilities:		
Due within one year		1,876,323
Due in more than one year		26,351,444
Total liabilities		29,033,326
NET ASSETS		
Invested in capital assets, net of related debt		6,390,574
Restricted for debt service		2,847,437
Restricted for housing programs and projects		12,360,508
Unrestricted		4,648,689
Total net assets	$	26,247,208

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

REDEVELOPMENT AGENCY PROGRAM EXPENSES		
Governmental activities:		
Housing	$	662,564
Commercial development		2,588,157
Interest on long-term debt		1,257,827
Total program expenses		4,508,548
PROGRAM REVENUE		
Intergovernmental		1,624,397
Rental		679
Project loan repayments - interest		7,139
Total program revenue		1,632,215
NET PROGRAM EXPENSE		(2,876,333)
GENERAL REVENUE		
Property tax increment		6,288,607
Investment earnings		281,456
Gain on sale of capital assets		109,991
Other		6,228
Total general revenue		6,686,282
Change in net assets		3,809,949
Net assets, beginning of year		22,437,259
Net assets, end of year	$	26,247,208

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Low and Moderate Income Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and investments	$ 4,270,738	$ 15,545,870	$ 19,816,608
Due from other governments	6,211	2,471	8,682
Interest receivable	5,633	20,960	26,593
Prepaid items	1,882	4,938	6,820
Notes receivable, net of discount	9,353,087	5,139,846	14,492,933
Advances due from other project areas	--	3,000,000	3,000,000
Total assets	$ 13,637,551	$ 23,714,085	$ 37,351,636
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 54,972	$ 30,121	$ 85,093
Accrued salaries and benefits	44,661	80,026	124,687
Due to other govenments	8,373	83,573	91,946
Deferred revenue	9,353,087	5,139,846	14,492,933
Advances due to other project areas	--	3,000,000	3,000,000
Total liabilities	9,461,093	8,333,566	17,794,659
Fund balances:			
Nonspendable:			
Prepaid expense	1,882	4,938	6,820
Restricted:			
Housing programs	2,662,311	--	2,662,311
Capital projects	--	9,256,097	9,256,097
Debt service	429,400	2,418,037	2,847,437
Assigned:			
Capital projects	--	3,678,329	3,678,329
Debt service	1,082,865	--	1,082,865
Encumbrances	--	23,118	23,118
Total fund balances	4,176,458	15,380,519	19,556,977
Total liabilities and fund balances	$ 13,637,551	$ 23,714,085	$ 37,351,636

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS:

Fund balances - from above	$ 19,556,977
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred cost of issuance related to long-term debt used in governmental activities are not financial resources and, therefore, are not reported in the funds.	911,716
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,017,182
Deferred revenue is presented in the governmental fund financial statements to indicate that receivables are not available currently; however, in the statement of net assets these deferrals are eliminated.	14,492,933
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:	
Tax allocation bonds payable	(23,405,000)
Bond discount	82,512
Loans payable	(4,386,456)
Pollution remediation obligation	(352,752)
Compensated absences	(166,071)
Interest payable	(503,833)
Net assets of governmental activities	$ 26,247,208

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Low and Moderate Income Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	$ 1,886,771	$ 4,401,836	$ 6,288,607
Investment earnings	53,135	228,321	281,456
Intergovernmental contributions	569,844	1,054,553	1,624,397
Rental	679	--	679
Project loan repayments - principal	5,510	10,043	15,553
Project loan repayments - interest	4,348	2,791	7,139
Other income	5,738	490	6,228
Total revenues	2,526,025	5,698,034	8,224,059
Expenditures:			
Current:			
Administration and planning	570,619	1,206,187	1,776,806
Intergovernmental payments	91,945	432,698	524,643
Project loans issued	6,844,353	4,262,435	11,106,788
Capital outlay:			
Project costs	289,970	1,703,434	1,993,404
Debt service:			
Principal	90,000	431,152	521,152
Interest	339,717	895,111	1,234,828
Total expenditures	8,226,604	8,931,017	17,157,621
Deficiency of revenues under expenditures	(5,700,579)	(3,232,983)	(8,933,562)
Other financing sources:			
Proceeds from sale of capital assets	4,650,400	--	4,650,400
Net change in fund balances	(1,050,179)	(3,232,983)	(4,283,162)
Fund balances, beginning of year	5,226,637	18,613,502	23,840,139
Fund balances, end of year	$ 4,176,458	$ 15,380,519	$ 19,556,977

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances (page 14)		$	(4,283,162)
Collections on receivables and loan transactions offset by deferred revenue are reported as revenues and expenditures in the governmental funds; however, they are not recorded as revenues or expenses in the statement of activities.			
Project loans issued	11,106,788		
Project loan repayments - principal	(15,553)		11,091,235
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. In the statement of activities, unmatured interest on long-term debt is recognized when it is incurred.			(28,734)
In the governmental funds, repayments of long-term debt are reported as expenditures. Repayments of long-term debt are not reported in the statement of activities, but instead, are a reduction of liabilities.			521,152
Governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.			
Amortization of bond issuance costs and bond discount			(39,637)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			1,993,404
Depreciation expense			(505,250)
Gains on the sale of capital assets are reported as an general revenue in the statement of activities			109,991
Losses on disposals of capital assets are reported as a program expense in the statement of activities			(331,500)
The sale of capital assets provides current financial resources to governmental funds, but has effect on net assets, only to the extent of the gain on sale.			(4,650,400)
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 governmental funds.			
Change in interest payable			9,024
Change in pollution remediation obligation			59,608
Change in compensated absences			(96,680)
Project loan forgiveness			(39,102)
Change in net assets (page 12)		$	3,809,949

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

BASIC FINANCIAL STATEMENTS –

FUND FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Redevelopment Agency (Agency) of Placer County (County) was formed in April 1991 for the purpose of administering and financing the development of certain unincorporated areas within the County. The Agency's Board of Directors is composed of the Board of Supervisors of the County. The Agency is therefore reported as a component unit of the County. The Agency has created three redevelopment project areas within the County: the North Lake Tahoe Redevelopment Project Area, established in July 1996; the North Auburn Redevelopment Project Area, established in June 1997, and the Sunset Industrial Redevelopment Project Area, established in June 1997.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the Agency's activities. The effect of interfund activity has been removed from these statements. The Agency is only engaged in governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 90 days of the end of the current fiscal year, except for property taxes which are considered available if collected within 60 days of the end of the fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pollution remediation, are recorded only when payment is due.

Property taxes, intergovernmental and investment earnings associated with the current fiscal period are all considered as being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Agency receives cash.

When both restricted and unrestricted net assets are available, restricted resources are used first, then unrestricted resources as they are needed.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following major governmental funds:

Low and Moderate Income Special Revenue Fund is used to account for the receipt of the mandated 20% set-aside of tax increment revenues, and loan and bond proceeds available to be used by the Agency for the purposes of increasing and improving the County's supply of housing for persons and families of low or moderate income. Expenditures from these funds are for debt service requirements on bonds issued for redevelopment purposes, operations and housing projects and programs. The administrative and planning expenditures made from this fund are necessary for the production, improvement and preservation of low- and moderate-income housing.

Capital Projects Fund accounts for the receipt of tax increment revenue, loan and bond proceeds, interest income on invested funds and certain miscellaneous income for each of the Agency's three redevelopment project areas. Expenditures from these funds are for expenditures for debt service requirements on bonds issued for redevelopment purposes, operations and capital projects.

Property Taxes

The Agency receives incremental property taxes on property within its project area over a base-assessed valuation on the date the project area was established. The County bills and collects property taxes and remits to the Agency its share of the amount levied net of pass-throughs. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the Agency. The Agency participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the Agency based upon assessments, not collections. Property tax revenue is recognized in the funds when it is available and measurable. The Agency considers property taxes as available if they are apportioned within 60 days after year-end.

The Agency has agreements with several agencies under which it must pass-through a portion of property tax increments to those agencies. Taxes are stated net of the pass-throughs to these agencies.

Prepaid Items

Payments for services that will benefit future accounting periods are recorded as prepaid items. In the Agency's funds there is a nonspendable fund balance equal to the amount of the prepaid items since these amounts are not available in spendable form.

Notes Receivable

Notes receivable represent loans made for redevelopment, economic development, first-time homebuyer and property rehabilitation. A loan committee approves the loans and deferral of payments. The Agency defers the revenue associated with notes receivables.

Deferred Charges

Deferred charges represent bond issuance costs incurred from the issuance of the Tax Allocation Bonds. The bond issuance costs are amortized on the straight-line basis over the lives of the related debt. As of June 30, 2011 bond issuance costs were $1,090,427 with accumulated amortization of $178,711. Amortization expense for the year ended June 30, 2011 was $36,348.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Agency's investment in capital assets includes land, infrastructure, buildings, equipment, construction in progress, and intangible assets. Capital assets are recorded at historical cost. When purchasing a new asset, the cost is the amount paid for the asset. Donated capital assets are recorded at the estimated fair value on the date of donation. Construction in progress costs are accumulated throughout the duration of the projects and are capitalized to the appropriate depreciable capital asset category at the earliest occurrence of:

a. Execution of substantial completion contract documents,
b. Occupancy, or
c. When the asset is placed in service.

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets as follows:

Asset Type	Capitalization Threshold
Land and intangibles	Any
Infrastructure	$50,000
Buildings	50,000
Equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Depreciation is not applicable while assets are accounted for as construction in progress.

Infrastructure	10 to 65 years
Buildings and improvements	10 to 50 years
Equipment	2 to 25 years

Compensated Absences

The Agency reports a liability for compensated absences that is attributable to services already rendered as of June 30, 2011, and which are not contingent on a specific event that is outside the control of the Agency, such as employee illness. This liability is based on the probability that the Agency will eventually compensate the employees for the benefits through paid time-off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay rates in effect as of June 30, 2011, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes.

All regular employees of the Agency earn paid vacations annually. The amount of vacation hours is based on the years of continuous service and the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Upon termination, employees are entitled to a lump sum payment for accrued vacation and compensatory time off.

All regular employees are given credit for eight hours sick leave each month of employment with accumulation limited or unlimited based on bargaining unit. Unless otherwise stated below, upon termination of employment, for employees working 40 hours per week, no pay shall be given for the first 24 days of sick leave in the employee's account. The remaining time for employees shall be paid at the rate of 50% of the hourly pay rate of the employee at the time of termination. Part-time employees will be paid by proportion of their scheduled hours as compared to a 40 hour position.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each bargaining unit will be entitled to use sick leave balances upon retirement as summarized below:

- *Placer Public Employees Organization General Unit (PPEO)* – As of September 14, 2010, PPEO represented employees could accrue no more than 600 sick leave hours. Employees with balances in excess of 600 hours could no longer accrue sick leave hours until their balance falls below 600 hours and any excess balance could be paid upon retirement. On May 24, 2011, the Board of Supervisors approved the following change effective July 2, 2011: upon retirement, the first 1,500 of unused sick leave will be set aside for retiree medical benefits and any hours in excess of 1,500 contributed to CalPERS Service Credit. These hours are then used to pay the retiree's share of the health insurance premium, not to exceed 8 hours per month.

- *Management and Confidential Employees* – There is no sick leave cap for this group. However, on May 24, 2011, the Board of Supervisors approved the following change: upon retirement, Management and Confidential employees will have 100% of unused sick leave hours set aside for future retiree medical benefits.

Net Assets

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

Invested in capital assets, net of related debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net asset balance.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
Unrestricted net assets – This category represents net assets of the Agency which are not restricted for any project or other purpose.

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Agency is bound to honor constraints on how specific amounts can be spent.

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid items, inventories, and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balance – amounts that are constrained by the Agency's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose, which is the Agency's Board.

Unassigned – amounts that constitute the negative residual balances that have no restrictions placed on them.

Use of 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.

B. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes a hierarchy of fund balance classifications based on relative strength of the constraints imposed on the use of the resources reported in governmental funds. The intent of this Statement is to improve the usefulness of fund balance information by clearly defining the classification for more consistent application and by clarifying the definitions of the types of governmental funds. See Note A for classification definitions.

C. CASH AND INVESTMENTS

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the County	$19,799,143
Cash and investments with Wells Fargo	17,465
Total Cash and investments	$19,816,608

Cash and investments shown on the statement of net assets and the balance sheet represent the Agency's share of the County Treasurer's cash and investment pool and its deposits with financial institutions. The Agency voluntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorize the following investments: local agency bonds, U.S. Treasury securities, U.S. agency securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, corporate notes and the California Local Agency Investment Fund (LAIF). The County has an investment committee, which performs regulatory oversight for its pool in accordance with California Government Code Section 27133. Investments are stated at estimated fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Agency's position in the pool.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's comprehensive annual financial report and may be obtained by contacting the County Auditor – Controller's Office at 2970 Richardson Drive, Dewitt Center, Auburn, California 95603.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Agency does not have an investment policy that addresses these specific types of risk.

C. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2011 was 1,480 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County external investment pool is not rated.

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

- The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool that must equal at least 110% of the total amount deposited by public agencies; and
- The California Government Code also allows financial institutions to secure deposits by pledging first trust deed mortgage notes that have a value of 150% of the governmental unit's total deposits.

As of June 30, 2011, the carrying amount and bank balance of the Agency's deposits were $17,465, which are fully insured by federal depository insurance.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. The Agency is not exposed to custodial credit risk or concentration of credit risk for its investments as it participates in the County's external investment pool, and therefore is not subject to such risks.

D. NOTES RECEIVABLE AND DEFERRED REVENUE

At June 30, 2011, the Agency's notes receivable and related deferred revenue totaled:

Low and Moderate Income Fund		
North Lake Tahoe Project Area		
First-Time Homebuyer	$ 150,000	
Home Rehabilitation	5,461	
Kings Beach Housing Associates	8,367,082	
Total North Lake Tahoe Project Area		$ 8,522,543
North Auburn Project Area		
Auburn Court Apartments, LP	39,000	
Quartz Ridge Family Apartments, LP	171,987	
Total North Auburn Project Area		210,987
Sunset Industrial Project Area		
First-Time Homebuyer	466,667	
Home Rehabilitation	152,890	
Total Sunset Project Area		619,557
Total Low and Moderate Income Fund		$ 9,353,087
Capital Projects Fund		
North Lake Tahoe Project Area		
Façade Improvement	$ 201,349	
B.B., LLC	4,644,083	
Total North Lake Tahoe Project Area		$ 4,845,432
North Auburn Project Area		
Commercial	94,939	
Façade Improvement	199,475	
Total North Auburn Project Area		294,414
Total Capital Projects Fund		$ 5,139,846
Total All Funds		$ 14,492,933

First-Time Homebuyer Assistance Loans

The Agency provided mortgage assistance loans utilizing housing set-aside funds to first-time homebuyers as funding match for County HOME and CDBG grant funded loans as well as second mortgage assistance loans to median and moderate-income households who did not qualify for low-income restricted loans. As of June 30, 2011, the Agency had six (6) outstanding First-Time Homebuyer Assistance Loans receivable, which included one (1) loan in the North Lake Tahoe Project Area totaling $150,000 and five (5) loans in the Sunset Project Area totaling $466,667.

D. NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

Housing Rehabilitation Loans

The Agency administers a housing rehabilitation loan program using County grant funds and Redevelopment Agency Low and Moderate Income Housing funds. The funds are provided in the form of low-interest loans to low-income households to rehabilitate their homes. As of June 30, 2011, the Agency had three (3) outstanding Housing Rehabilitation Loans receivable, which included one (1) loan in the North Lake Tahoe Project Area totaling $5,461and two (2) loans in the North Auburn Project Area totaling $152,890.

Kings Beach Housing Associates

The Agency assembled five scattered, affordable housing development sites and related infrastructure improvements located on property in Kings Beach and demolished existing structures and cleaned toxic contaminants. An agreement with Kings Beach Housing Associates (the developer) provided for the sale of the property for the construction of Kings Beach Scattered Sites Housing Project. The developer executed a loan payable to the Agency for $7,918,300 in exchange for the five scattered sites and the repayment of their existing $3,267,500 predevelopment loan with the Agency. The interest rate is 3% and is secured by a deed of trust on the property. Payments of principal and interest are to be made from residual cash flow as defined in the promissory note, with the full amount outstanding to be due the earliest of fifty-five years from the date of the note, when the property is sold or refinanced, or in the event of a default of the loan agreements. As of June 30, 2011, the outstanding loan balance was $7,918,300.

In addition to the above note, on January 25, 2011, the Agency executed a loan agreement with the developer for $3,314,400 funded by the Infill Infrastructure Grant. The loan proceeds are to be used for costs incurred in connection with the development of infrastructure improvements on four of the five scattered sites. No interest will be accrued on the principal balance of the note. The full amount outstanding is due the earliest of fifty-five years from the date of the note, when the property is sold or refinanced, or in the event of a default of the loan agreements. As of June 30, 2011, $448,782 had been advanced.

Auburn Courts Apartments, LP

The Agency loaned the Auburn Court Apartments, a California Limited Partnership, $39,000 of North Auburn Project Area Tax Increment funds for the payment of impact fees for a 60-unit affordable housing development adjacent to he Project Area. The loan is non-interest bearing except in the event of default, and the principal payment has been deferred for fifty-five years. The note is secured by a deed of trust on the Auburn Court Apartments' fee interest in the property.

Quartz Ridge Family Apartments, LP

During the year ended June 30, 2011, the Agency entered into a Disposition and Development Agreement (DDA) with the Quartz Ridge Family Apartments, L.P., a California limited partnership (developer) which provides for the disposition of certain real property by the Agency to the Developer and provides for additional financial assistance in the form of a loan for the construction of a sixty-four (64) unit multifamily rental housing project that includes: i) four (4) units to be rented at an affordable housing cost to "extremely low income households," which are persons and families whose income is at or below thirty percent (30%) of area median income adjusted for family size as established on an annual basis by the California State Department of Housing and Community Development; ii) sixteen (16) units to be rented at an affordable housing cost to "very low income households," which are persons and families whose income is at or below fifty percent (50%) of area median income adjusted for family size as established on an annual basis by the California State Department of Housing and Community Development; and iii) eleven (11) units to be rented at an affordable housing cost to "low income households," which are persons and families whose income is at or below eighty percent (80%) of area median income adjusted for family size as established on an annual basis by the California State Department of Housing and Community Development.

D. NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

On July 13, 2010 the Agency entered into a $100,000 Predevelopment Loan Agreement with the Quartz Ridge Family Apartments, L.P., a California limited partnership (developer) with proceeds to be spent exclusively to cover the Predevelopment Costs and no other expenses. On January 25, 2011 the Predevelopment Loan Agreements was amended to provide an additional $250,000 for the development of improvement plans including architectural and engineering design, legal review, County consultation/plan review fees, and administrative costs for the processing of prints, and copies of plans for submittal to the Placer County Community Development Resource Agency for a total Predevelopment Loan of $350,000. As of June 30, 2011, $171,987 had been advanced.

Façade Improvement Loans

The Agency's Façade Improvement Loan Program offers loans up to $30,000 to eligible applicants with applicable property(s) located within a Redevelopment Project Area with proceeds to be used for storefront renovations, signage, exterior doors, windows, shutters, awnings, exterior lighting, roof line modifications, landscaping, sidewalks and street improvements, improvements required to meet Americans with Disabilities Act requirements, design and/or engineering fees and certain planning costs. Interest rates are determined on a case-by-case basis by the Placer County Loan Advisory Board. Forgiveness of the loan is granted to applicants that maintain compliance with their loan agreement throughout the term of their loan. Loans up to $14,999 are forgiven twenty percent (20%) at the end of each year, 1 through 5 and loans $15,000-$30,000 are forgiven twenty percent (20%) at the end of each year, 6 through 10. All loans are secured by the property that is improved and/or by a personal guarantee of the borrower. Collateral may also include deeds of trust on other real property. As of June 30, 2011, the Agency had fourteen (14) outstanding Façade Improvement Loans receivable, which included six (6) loans in the North Lake Tahoe Project Area totaling $201,349 and eight (8) loans in the North Auburn Project Area totaling $199,475..

Commercial Rehabilitation Loans

The Agency's Commercial Rehabilitation Loans are designed to stimulate building improvements and upgrade the appearance of commercial properties in the Agency's three (3) Redevelopment Project Areas. The loans provide gap financing in conjunction with a private lender or serves as financing of last resort for projects that are within program limits with proceeds to be used for design fees, architecture fees, engineering costs, building improvements or expansion, structural rehabilitation, associated public pedestrian walkways, landscaping, street improvements, hazardous waste cleanup, and/or other improvements or planning costs. Loan interest rates are determined on a case-by-case basis by the Placer County Loan Advisory Board. All loans are secured by the property that is improved and/or by a personal guarantee of the borrower. Collateral may also include deeds of trust on other real property. As of June 30, 2011, the Agency had two (2) outstanding Commercial Rehabilitation Loans in the North Auburn Project Area totaling $94,939..

B.B, LLC

On July 24, 2007, the Agency entered into an Exclusive Negotiating Rights Agreement with BB, LLC for the implementation of a proposed mixed-use redevelopment project know as the 'Kings Beach Town Center Project'. A Predevelopment Loan Agreement was authorized with BB, LLC for $500,000 on June 10, 2008. As of June 30, 2011,$394,083 has been advanced and is due November 1, 2011.

BB, LLC acquired its portion of the project site with the help of mortgage loans from Central Pacific Bank and Umpqua Bank. The term of one Central Pacific Bank loan for $1,300,000 expired January 10, 2010 and term of the other Central Pacific Bank loan for $937,500 expired March 17, 2010. The original principal amount of the Umpqua Bank loan was for $4,600,000. In March of 2010, the Agency acquired from BB, LLC property on Trout Avenue in Kings Beach which has subsequently been included in the Kings Beach Scattered Sites Housing Project. As a result of that transaction principal amount of the Umpqua Bank loan amount stood at $4,238,097 when it matured on February 25, 2010.

D. NOTES RECEIVABLE AND DEFERRED REVENUE (Continued)

BB, LLC requested that the Agency acquire the bank loans in order to avoid foreclosure and allow the project to continue to proceed through design review and construction. If the bank foreclosed on the loan, there was a likelihood that the property would be divided among multiple new owners and the currently proposed mixed-use town center proposal could not be realized.

The Agency entered into the Loan Purchase Agreement for all three loans acquiring first mortgage loans and related documents, including loan guaranties by the borrower, at a discounted price. The Agency replaced the bank as the first lien holder. Two first mortgage loans were purchased on October 27, 2010, from Central Pacific Bank in the amount of $1,450,000 at a discount of $787,500. The Umpqua Bank loan was acquired for $2,800,000 at a discount of $1,438.097. As of June 30, 2011, the outstanding loan balances (net of discount) totaled $4,250,000.

At a later time the Agency will modify the terms of the loans through a new agreement with BB, LLC. Currently, the activities of the Redevelopment Agency have been suspended by a California Supreme Court stay while the court reviews a lawsuit dealing with proposed California budget cuts and possible Agency closure. It is expected that the terms of the new agreement will be tied to required performance by BB,LLC on implementing a redevelopment project on the land.

E. CAPITAL ASSETS

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

	July 1, 2010	Additions and Transfers In	Deletions and Transfers Out	June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Intangible assets	$ 1,521,446	$ -	$ (666,723)	$ 854,723
Land	9,311,088		(2,005,659)	7,305,429
Construction in progress	2,985,300	826,880	(321,319)	3,490,861
Total capital assets not being depreciated	13,817,834	826,880	(2,993,701)	11,651,013
Capital assets, being depreciated:				
Land improvements	713,714	401,770	-	1,115,484
Buildings and improvements	2,296,049	-	(2,296,049)	-
Equipment	28,982	-	-	28,982
Infrastructure	7,374,575	1,086,073	-	8,460,648
Total capital assets being depreciated	10,413,320	1,487,843	(2,296,049)	9,605,114
Less accumulated depreciation for:				
Land improvements	(36,720)	(36,721)	-	(73,441)
Building and improvements	(85,042)	(11,480)	96,522	-
Equipment	(9,878)	(2,116)	-	(11,994)
Infrastructure	(698,577)	(454,933)	-	(1,153,510)
Total accumulated depreciation	(830,217)	(505,250)	96,522	(1,238,945)
Total capital assets, being depreciated, net	9,583,103	982,593	(2,199,527)	8,366,169
Capital assets, net	$ 23,400,937	$ 1,809,473	$ (5,193,228)	$ 20,017,182

Depreciation expense of $505,250 was charged to the Commercial Development function of the Agency.

F. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Governmental Activities:					
California Housing Finance Agency	$ 958,923	$ -	$ -	$ 958,923	$ -
California Housing Finance Agency *(accrued interest due at maturity)*	174,099	28,734	-	202,833	-
Wells Fargo	500,000	-	-	500,000	500,000
Wells Fargo	600,000	-	-	600,000	600,000
California Infrastructure and Economic Development Bank	283,337	-	(7,720)	275,617	7,956
California Infrastructure and Economic Development Bank	1,428,454	-	(37,358)	1,391,096	38,456
California Infrastructure and Economic Development Bank	469,061	-	(11,074)	457,987	11,396
Series A Tax Allocation Bond	14,925,000	-	(305,000)	14,620,000	315,000
Series B Tax Allocation Bond	3,320,000	-	(70,000)	3,250,000	75,000
Series C Tax Allocation Bond	5,625,000	-	(90,000)	5,535,000	95,000
Bond Discount	(85,801)	-	3,289	(82,512)	(3,289)
Pollution Remediation Obligation	412,360	-	(59,608)	352,752	220,196
Compensated Absences	69,391	226,283	(129,603)	166,071	16,608
Long-term liabilities	$ 28,679,824	$ 255,017	$ (707,074)	$ 28,227,767	$ 1,876,323

During the year ended June 30, 2004, the Agency entered into a loan agreement with the California Housing Finance Agency (CHFA) in the amount of $1,500,000, for the construction of multi-family housing. The loan has an interest rate of 3% per annum and matures on October 2, 2012. As of June 30, 2011 the Agency had drawn down $958,923 of the $1,500,000 amount available. No repayment of principal or interest is due until the maturity date.

During the year ended June 30, 2005, the Agency entered into a loan agreement with Wells Fargo Bank in the amount of $500,000. The proceeds were used for the purchase of land to be used in the construction of the Minnow Avenue Parking Lot in Kings Beach, which is located in the North Tahoe Project Area. The loan was paid off on September 7, 2011.

During the year ended June 30, 2007, the Agency entered into a loan agreement with Wells Fargo Bank in the amount of $600,000. The loan has an interest rate of 2% per annum and matures on May 8, 2012. No principal repayment is due until the maturity date. The proceeds were applied to the purchase of 8776-8774 North Lake Boulevard in Kings Beach, a property which is part of an environmental cleanup project.

During the year ended June 30, 2006, the Agency entered into a loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) in the amount of $312,000. The loan has an interest rate of 3.05% per annum and matures on August 1, 2034. The proceeds were used for the construction of the Brook Avenue parking lot. As of June 30, 2011 the outstanding loan balance was $275,617.

F. LONG-TERM LIABILITIES (Continued)

The Agency also entered into a loan agreement, during the year ended June 30, 2007, with the CIEDB in the amount of $1,500,000, to be used as partial financing of the Auburn Plaza Project, in the North Auburn Project Area. The Agency drew down the available $1,500,000 with CIEDB during the year ended June 30, 2008. This loan has an interest rate of 2.94% and matures on August 1, 2035. Principal and interest payments are secured by a pledge of property tax revenue. As of June 30, 2011 the outstanding loan balance was $1,391,096.

During the year ended June 30, 2008, the Agency entered into an additional loan agreement with the CIEDB in the amount of $479,822. This note has an interest rate of 2.91% and matures on September 1, 2037. Loan proceeds were used for the Minnow Avenue Parking Lot Project in Kings Beach, which was completed on October 17, 2007. As of June 30, 2011 the outstanding loan balance was $457,927.

During the year ended June 30, 2007, the Agency issued three separate issues of tax allocation bonds, which include the North Lake Tahoe Redevelopment Project, 2006 Series A in the principal amount of $ 15,765,000, the North Auburn Redevelopment Project, Series B in the principal amount of $3,520,000 and Housing Projects, Series C, in the principal amount of $5,865,000. Interest rates range from 3.6% to 6.2%. Semi-annual interest payments are due on February 1 and August 1. Principal payments are due August 1. Principal and interest payments are payable solely from and secured by a pledge of property tax revenue. Proceeds from the sale of the bonds are being used to finance the redevelopment activities within and for the benefit of the North Lake Tahoe and North Auburn redevelopment project areas and to finance low and moderate income housing activities of the Agency.

The following is a schedule of total debt service requirements to maturity as of June 30, 2011 for the Agency:

Year Ending	Unsecured Notes Payable		Secured Notes Payable		Tax Allocation Bonds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 1,100,000	$ 13,917	$ 57,808	$ 61,780	$ 485,000	$ 1,128,930
2013	958,923	238,872	59,513	60,049	505,000	1,107,564
2014	-		61,268	58,268	530,000	1,085,168
2015	-	-	63,075	56,435	545,000	1,061,836
2016	-	-	64,936	54,547	575,000	1,037,424
2017-2021	-	-	354,561	242,412	3,255,000	4,769,853
2022-2026	-	-	410,024	186,131	4,100,000	3,905,738
2027-2031	-	-	474,165	121,044	5,200,000	2,771,749
2032-2036	-	-	531,980	46,022	6,670,000	1,279,235
2037	-	-	47,370	1,388	1,540,000	39,383
	$ 2,058,923	$ 252,789	$ 2,124,700	$ 888,076	$ 23,405,000	$ 18,186,880

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years.

The Agency utilized an independent consultant to perform calculations of excess investment earnings on the tax exempt bonds during 2011, which determined the Agency did not incur a liability.

G. OPERATING LEASE OBLIGATION

The Agency leases real estate under a non-cancelable operating lease for the operation of the Jackpine Public Parking lot. Future minimum rental payments under this operating lease term in excess of one year as of June 30, 2011 are summarized as follows:

Year Ending June 30,		
2012	$	47,547
2013		48,736
2014		49,955
2015		51,203
2016		52,484
2017-2021		282,767
2022-2026		319,925
2027-2031		361,966
2032-2035		323,531
	$	1,538,114

Rental payments associated with this operating lease have been recorded in the Capital Projects Fund. Total rental expenditures under operating leases for the year ended June 30, 2011 were $46,388.

H. PLEDGED REVENUES

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Fund for the repayment of the 2006 Series A and 2006 Series B Tax Allocation Bonds, the proceeds of which are to be used to finance redevelopment activities within and for the benefit of the North Lake Tahoe and North Auburn redevelopment project areas and to finance low and moderate income housing activities of the Agency. The Agency has pledged all future tax revenues required to be set aside in the Redevelopment Agency Low and Moderate Income Fund for the repayment of the 2006 Series C Tax Allocation Bonds. Series A, B, and C Tax Allocation Bonds are considered senior parity obligations. The pledge of future tax increment revenues ends upon repayment of principal and interest in the amount of $41,591,880 in 2037. For the year ended June 30, 2011, principal and interest paid and total property tax increment revenues were $1,614,368 and $6,288,607, respectively.

On June 29, 2011 two bills ABX1 26 and 27 were passed as a part of the State of California's budget package. A lawsuit was filed on July 18, 2011 petitioning the California Supreme Court to overturn the bills. The California Supreme Court issued a stay of all Assembly Bill X1 27 and most of Assembly Bill X1 26 and will issue a decision before January 15, 2012. The proposed bills could dissolve or restrict redevelopment agencies. If the bills are upheld, it presents possible risks related to restrictions in Agency resources and activities as well as the timing of revenue allocation, neither piece of legislation is expected to affect overall credit quality for the bonds. The bonds have good coverage of debt service by pledged revenue and pledged reserves. The dissolution legislation states its intent to honor revenue pledges associated with enforceable obligations, including bonds. There is uncertainty in the short term, but legislative fixes are expected to address questions related to refunding and administration of existing debt, timing of payments, pledged revenues, and flow of funds if the dissolution legislation is upheld.

H. PLEDGED REVENUES (Continued)

The CIEDB loans are secured by total taxes eligible for allocation to the Agency with respect to the Project Areas pursuant to the most recent completed fiscal year including gross tax increment revenues and all deductions for payment to the Redevelopment Agency Low and Moderate Income Fund and pass-through payments. The proceeds received from the CIEDB loans were used for the Brook Avenue parking lot, Minnow Avenue parking lot, and Auburn Plaza projects. The pledge of tax increment revenues totals $3,012,776, which equals the total principal and interest payments outstanding on the loan, and ends upon the repayment of the outstanding loans in August 2037. For the year ended June 30, 2011, principal and interest paid and total property tax increment revenues were $119,612 and $6,288,607 respectively.

I. POLLUTION REMEDIATION OBLIGATIONS

The Agency is obligated to perform environmental assessment and remediation activities on two projects. The nature and source of pollutants on the former Swiss Mart Gas Station located at 8797 North Lake Boulevard in Kings Beach are concentrations of TPHg, benzene and MTBE. Remediation cleanup activities are estimated at $6,600 and post remediation groundwater monitoring is estimated at $99,000 to destroy all wells assuming site closure can be obtained from the Lahontan Regional Water Quality Board. The nature and source of pollutants of the former Ronning Service Station property located at 8784 North Lake Boulevard are concentrations of TPHg and benzene. Remediation cleanup activities consisting of the removal and disposal of contaminates are estimated at $247,152. Total remediation costs of these projects total $352,752 which were derived by staff and environmental remediation consultants. The estimated costs are recorded as long-term liabilities in the statement of net assets.

J. RISK MANAGEMENT

The County is a member of the California State Association of Counties (CSAC) and one of the benefits is that they offer commercial coverage to small public legal entities that are created to work exclusively for a County. The Agency is eligible to participate in the Special Liability Insurance Program (SLIP) since they meet this definition. The Agency participates in the SLIP which provides primary commercial liability coverage. The Agency has the following coverage through a primary insurance policy with Allied World National Assurance Company. Allied is rated as A Excellent, FSC XV (highest rating) with A.M. Best Company. The Agency's limits are $5,000,000 for General Liability with a $1,000 deductible, $5,000,000 for Public Officials Errors and Omissions with a $2,500 deductible. The Agency's owned rental properties are covered for property damage, fire, and general liability. The County has added the Agency as a Named Insured for coverage under the Placer County Property Program which provides coverage to all properties owned by the Agency.

Agency employees are County employees and are covered by the County's Workers' Compensation Self Insurance Program and excess insurance policy. The limits are $50,000,000 with a $300,000 self insured retention. The Agency has no open liability claims or pending litigation. The Agency does have workers compensation claims that are managed through the County self-insurance program. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

K. RELATED PARTY

The County provides a variety of services to the Agency including management, accounting, and legal services, as well as providing services specific to redevelopment projects. The following significant transactions were made during the year ended June 30, 2011. The Agency paid approximately $1,604,550 in salaries and wages to County employees allocated to the Agency and $788,753 for County support services. The Agency contributed $75,000 to the County's Community Revitalization Fund to grant related expenditures which exceeded available grant funds and $86,664 was contributed to the Placer County Economic Development Department for the North Lake Tahoe Main Street Program.

L. COMMITMENTS

The Agency Board passed two resolutions, one on October 19, 2010 authorizing a loan of $1,450,000 and another on November 23, 2010 authorizing a second loan of $1,550,000 in tax increment funds from the Sunset Industrial Project Area to the North Lake Tahoe Project Area for a total amount of $3,000,000. The loan is for redevelopment of property at 8611 and 8623 North Lake Boulevard, Kings Beach. The loans will be repaid in five years with an interest rate equal to the average Placer County Investment Pool rate applicable to the preceding four calendar quarters.

M. EXCESS SURPLUS CALCULATION

The following represents the excess surplus calculation as of July 1, 2010:

Opening Fund Balance		$ 5,226,637
Less Unavailable Amounts:		
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	$ (1,060,835)	
		(1,060,835)
Available Low and Moderate Income Housing Funds		$ 4,165,802
Limitation (greater of $1,000,000 or four years set-aside)		
Set-Aside for last four years:		
Prior Year 1	$ 2,143,726	
Prior Year 2	2,031,722	
Prior Year 3	1,802,465	
Prior Year 4	1,560,066	
Total	$ 7,537,979	
Base limitation	$ 1,000,000	
Greater amount		$ 7,537,979
Computed Excess/Surplus		None

N. CONTINGENCIES

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly BillX1 26 (ABX1 26), the Redevelopment Agency Dissolution Act, and Assembly Bill X1 27 (ABX1 27), the Redevelopment Agency Voluntary Program Act as part of the State's budget package. ABX1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. ABX1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by ABX1 26. The bills took effect immediately upon the Governor's signature.

N. CONTINGENCIES (Continued)

ABX1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each County would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. AB X1 26 indicates that the County “may use any available funds not otherwise obligated for other uses” to make this payment. The Agency intends to use available monies for this purpose and the County and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature. Adoption of this ordinance and participation in the payment program is the only means under the legislation to suspend the restrictions imposed through ABX1 26 on Agency activities.

On August 9, 2011, the Board of Supervisors adopted County of Placer Urgency Ordinance No. 5649B electing to participate in the Voluntary Alternative Redevelopment Program. The ordinance took effect immediately. Concurrently, a resolution was adopted by the Redevelopment Agency Board to execute a Remittance Agreement with the County for the payment amount established by the State of $3,806,964 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated $895,856 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. ABX1 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a court order staying the implementation of Assembly Bill X1 27 in its entirety and most of Assembly Bill X1 26 except the provisions which restrict the Agency’s business to maintaining existing financial and contractual obligations as discussed above. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 served to “clarify” its prior order. The Court lifted the stay on those provisions of Assembly Bills X1 26 and 27 that provide for the filing of an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011. The Agency has complied with these requirements. At a special meeting held on August 26, 2011 the Agency Board adopted an Enforceable Obligation Payment Schedule and the Agency prepared a Recognized Obligation Payment schedule prior to September 30, 2011. The Recognized Obligation Payment schedule identifies all payments that the Agency must expend through June 30, 2012 to meet its enforceable obligation. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

As noted above, once the Board adopted Ordinance No. 5649B on August 9, 2011, the Agency was permitted to resume conducting business as usual. The import of the Court’s stay on August 11, 2011 was to return the Agency to its restricted status, imposed by ABX1 26. The Agency will remain in this restricted status until the Court renders its decision. The Agency continues to satisfy and implement enforceable obligations as defined in AB X1 26.

N. CONTINGENCIES (Continued)

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that ABX1 26 is upheld and ABX1 27 is not, reimbursements previously paid by the Agency to the County for shared administrative services may be reduced or eliminated. In the event that ABX1 26 is overturned and ABX1 27 is upheld, it is hoped that the ordinances previously adopted by agencies to opt into the payment program will be recognized by the Court and allow those agencies to resume full operations without delay. How or when the Court may ultimately rule is however, to date, unknown. In the event that both bills are found by the courts to be unconstitutional, there is still a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

REQUIRED SUPPLEMENTARY INFORMATION

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOW AND MODERATE INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
Revenues:				
Taxes	$ 2,152,205	$ 1,926,708	$ 1,886,771	$ (39,937)
Investment earnings	--	--	53,135	53,135
Intergovernmental contributions	4,523,551	4,523,551	569,844	(3,953,707)
Rental	--	--	679	679
Project loan repayments - principal	--	--	5,510	5,510
Project loan repayments - interest	--	--	4,348	4,348
Other income	--	--	5,738	5,738
Total revenues	6,675,756	6,450,259	2,526,025	(3,924,234)
Expenditures:				
Current:				
Administration and planning	844,764	920,715	570,619	350,096
Intergovernmental payments	67,380	67,380	91,945	(24,565)
Project loans issued	7,868,565	13,486,646	6,844,353	6,642,293
Capital outlay:				
Project costs	289,970	289,970	289,970	-
Debt service:				
Principal	90,000	90,000	90,000	-
Interest	144,553	339,718	339,717	1
Total expenditures	9,305,232	15,194,429	8,226,604	6,967,825
Excess (deficiency) of revenues over (under) expenditures	(2,629,476)	(8,744,170)	(5,700,579)	(3,043,591)
Other financing sources:				
Proceeds from sale of capital assets	--	4,650,400	4,650,400	--
Net change in fund balances	$ (2,629,476)	$ (4,093,770)	(1,050,179)	$ (3,043,591)
Fund balance, beginning of year			5,226,637	
Fund balance, end of year			$ 4,176,458	

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

A. BUDGETARY POLICIES

The Agency follows these procedures in establishing the budgetary data reflected in the schedule of revenues, expenditures and changes in fund balance – budget and actual – low and moderate income special revenue fund:

1. The Agency Redevelopment Director submits to the Redevelopment Agency Board (the Board) no later than June 30 of each year, a proposed budget for the fiscal year commencing the following July 1. The budget identifies expected sources of revenue and recommended program and capital expenditure and reserve uses for the next fiscal year.

2. A Final Budget is submitted for consideration and adoption by September 30th of each year.

3. The Board reviews the proposed budget at specially scheduled sessions that are open to the public.

4. The budget is legally enacted through passage of a resolution.

5. The budget for the low and moderate income special revenue fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

6. Budgeted amounts are reflected for the original and final budget.

7. Budgetary control is exercised at the budget unit level, which is the same as the fund level for the Agency. All amendments or transfers of appropriations are approved by the Agency's board.

OTHER SUPPLEMENTARY INFORMATION

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
BALANCE SHEET BY PROJECT AREA
LOW AND MODERATE INCOME SPECIAL REVENUE FUND
JUNE 30, 2011

	North Lake Tahoe	North Auburn	Sunset Industrial	Total
Assets				
Cash and investments	$ 1,437,373	$ 2,274,300	$ 559,065	$ 4,270,738
Due from other governments	1,188	1,470	3,553	6,211
Interest receivable	1,820	3,058	755	5,633
Prepaid items	1,227	288	367	1,882
Notes receivable	8,522,543	210,987	619,557	9,353,087
Total assets	$ 9,964,151	$ 2,490,103	$ 1,183,297	$ 13,637,551
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 44,023	$ 86	$ 10,863	$ 54,972
Accrued salaries and benefits	24,728	8,463	11,470	44,661
Due to other governments	5,529	1,302	1,542	8,373
Deferred revenue	8,522,543	210,987	619,557	9,353,087
Total liabilities	8,596,823	220,838	643,432	9,461,093
Fund balances:				
Nonspendable:				
Prepaid expense	1,227	288	367	1,882
Restricted:				
Housing programs	399,311	1,824,712	438,288	2,662,311
Debt service	260,044	68,146	101,210	429,400
Assigned:				
Debt service	706,746	376,119	--	1,082,865
Total fund balances	1,367,328	2,269,265	539,865	4,176,458
Total liabilities and fund balances	$ 9,964,151	$ 2,490,103	$ 1,183,297	$ 13,637,551

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BY PROJECT AREA
LOW AND MODERATE INCOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	North Lake Tahoe	North Auburn	Sunset Industrial	Total
Revenues:				
Taxes	$ 1,247,766	$ 307,635	$ 331,370	$ 1,886,771
Investment earnings	10,308	35,419	7,408	53,135
Intergovernmental contributions	567,874	1,970	--	569,844
Rental	679	--	--	679
Project loan repayments - principal	--	--	5,510	5,510
Project loan repayments - interest	--	--	4,348	4,348
Other income	48	2,340	3,350	5,738
Total revenues	1,826,675	347,364	351,986	2,526,025
Expenditures:				
Current:				
Administration and planning	309,841	96,777	164,001	570,619
Intergovernmental payments	73,528	8,608	9,809	91,945
Project loans issued	6,672,366	171,987	--	6,844,353
Capital outlay:				
Project costs	237,136	52,834	--	289,970
Debt service:				
Principal	54,504	14,283	21,213	90,000
Interest	205,733	53,913	80,071	339,717
Total expenditures	7,553,108	398,402	275,094	8,226,604
Excess (deficiency) of revenues over (under) expenditures	(5,726,433)	(51,038)	76,892	(5,700,579)
Other financing sources:				
Proceeds from sale of capital assets	4,650,400	--	--	4,650,400
Net change in fund balances	(1,076,033)	(51,038)	76,892	(1,050,179)
Fund balances, beginning of year	2,443,361	2,320,303	462,973	5,226,637
Fund balances, end of year	$ 1,367,328	$ 2,269,265	$ 539,865	$ 4,176,458

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
BALANCE SHEET BY PROJECT AREA
CAPITAL PROJECTS FUND
JUNE 30, 2011

	North Lake Tahoe	North Auburn	Sunset Industrial	Total
Assets				
Cash and investments	$ 13,373,314	$ 1,846,280	$ 326,276	$ 15,545,870
Due from other governments	1,467	347	657	2,471
Interest receivable	18,022	2,489	449	20,960
Prepaid items	3,258	817	863	4,938
Notes receivable, net of discount	4,845,432	294,414	--	5,139,846
Advance due from other project areas	--	--	3,000,000	3,000,000
Total assets	$ 18,241,493	$ 2,144,347	$ 3,328,245	$ 23,714,085
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 22,182	$ 7,593	$ 346	$ 30,121
Accrued salaries and benefits	44,306	20,890	14,830	80,026
Due to other governments	75,148	4,961	3,464	83,573
Deferred revenue	4,845,432	294,414	--	5,139,846
Advance due to other project areas	3,000,000	--	--	3,000,000
Total liabilities	7,987,068	327,858	18,640	8,333,566
Fund balances:				
Nonspendable:				
Prepaid expense	3,258	817	863	4,938
Restricted:				
Capital projects	8,638,284	617,813	--	9,256,097
Debt service	2,122,414	295,623	--	2,418,037
Assigned:				
Capital projects	--	879,118	3,308,742	4,187,860
Encumbrances	--	23,118	--	23,118
Unassigned	(509,531)	--	--	(509,531)
Total fund balances	10,254,425	1,816,489	3,309,605	15,380,519
Total liabilities and fund balances	$ 18,241,493	$ 2,144,347	$ 3,328,245	$ 23,714,085

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

REDEVELOPMENT AGENCY OF PLACER COUNTY
(A COMPONENT UNIT OF THE COUNTY OF PLACER, CALIFORNIA)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BY PROJECT AREA
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	North Lake Tahoe	North Auburn	Sunset Industrial	Total
Revenues:				
Taxes	$ 2,870,872	$ 723,831	$ 807,133	$ 4,401,836
Investment earnings	199,424	27,370	1,527	228,321
Intergovernmental contributions	--	1,054,553	--	1,054,553
Project loan repayments - principal	2,473	7,570	--	10,043
Project loan repayments - interest	--	2,791	--	2,791
Other revenues	490	--	--	490
Total revenues	3,073,259	1,816,115	808,660	5,698,034
Expenditures:				
Current:				
Administration and planning	786,934	222,724	196,529	1,206,187
Intergovernmental payments	310,016	79,084	43,598	432,698
Project loans issued	4,262,435	--	--	4,262,435
Capital outlay:				
Project costs	311,079	1,392,355	--	1,703,434
Debt service:				
Principal	323,794	107,358	--	431,152
Interest	709,111	186,000	--	895,111
Total expenditures	6,703,369	1,987,521	240,127	8,931,017
Net change in fund balances	(3,630,110)	(171,406)	568,533	(3,232,983)
Fund balances, beginning of year	13,884,535	1,987,895	2,741,072	18,613,502
Fund balances, end of year	$ 10,254,425	$ 1,816,489	$ 3,309,605	$ 15,380,519

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

OTHER REPORTS

To the Board of Directors
Redevelopment Agency of
Placer County
Auburn, California

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*

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of Placer County (Agency), a component unit of the County of Placer, California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 2, 2011. Our report contained an emphasis of a matter paragraph discussing the California State Legislature's enactment of legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. Our report also contained an explanatory paragraph discussing the Agency's adoption of the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2011

To the Board of Directors
Redevelopment Agency of
Placer County
Auburn, California

Independent Auditor's Report on Compliance with Requirements that Could Have a Material Effect on the Agency and on Internal Control Over Compliance in Accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies*

Compliance

We have audited the compliance of the Redevelopment Agency of the County of Placer (Agency), a component unit of the County of Placer, California, with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Macias Gini & O'Connell LLP

Sacramento, California
December 2, 2011