

TOWN OF WINDSOR
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

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

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Windsor, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor, CA (the "Town") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As described in 1.O to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Report of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

OUM + Co. LLP

San Francisco, CA
February 5, 2014

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

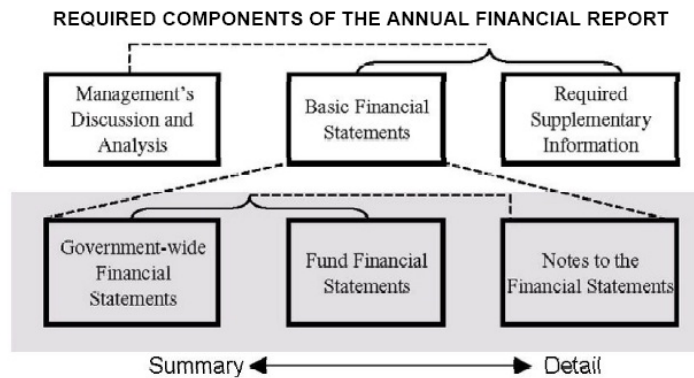
As management of the Town of Windsor (the “Town”), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town as of and for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the accompanying Independent Auditor's Report, the basic financial statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$259,757,055 (net position). Of this amount, \$61,002,731 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$4,423,863 as a result of the year's operations, offset by an increase of \$4,930,012 as a result of the prior period adjustment related to transferring fixed assets from the private purpose trust fund to governmental activities for a total increase in net position of \$506,149.
- At the close of this fiscal year, the Town's governmental funds reported total ending fund balances of \$30,248,911, a decrease of \$3,848,210, after expenditures for capital projects. \$8,766,864 or 29% of the ending fund balances are available for spending at the Town's discretion (unassigned fund balance).
- The Town's total long-term liabilities decreased by \$1,871,762, or 8%, during the fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.



Government-wide financial statements - The government-wide financial statements are comprised of the Statement of Net Position and Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, community development and recreation, parks, streets and roads, drainage and housing. The business-type activities of the Town include the water and water reclamation (sewer) operations.

The government-wide financial statements include the Town itself, but also the Windsor Public Financing Authority, and the Windsor Water District. Although these entities are legally separate, they function for all practical purposes as a part of the Town, and therefore have been included as blended component units as an integral part of the primary government.

Fund financial statements - The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual method of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 governmental funds and governmental activities.

The Town maintains twenty-seven individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Replacement Fund, and

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Housing Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

The Town adopts an annual appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the General Fund and all major special revenue funds are required and included in the basic financial statements.

Proprietary funds: The Town maintains one type of proprietary fund: Enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses its enterprise funds to account for its water and water reclamation (sewer) operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds' financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the Town.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

Other supplementary information: In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with nonmajor governmental funds and the internal service funds.

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed net position for both governmental and business-type activities.

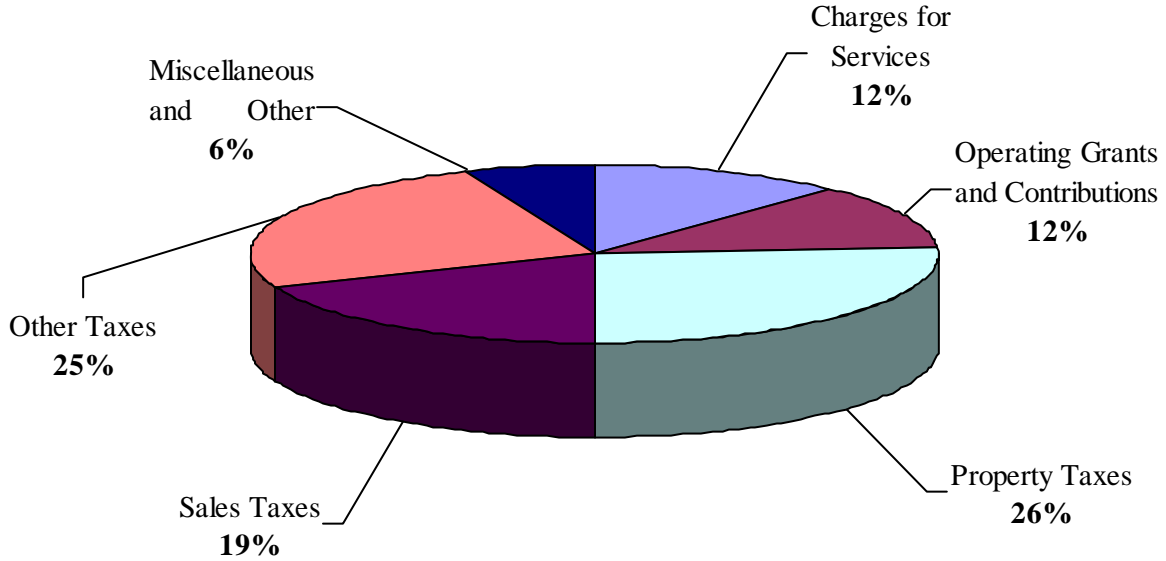
NET POSITION						
JUNE 30, 2013 AND 2012						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	\$ 38,310,202	\$ 42,452,884	\$ 28,054,326	\$ 30,184,591	\$ 66,364,528	\$ 72,637,475
Capital assets	142,548,490	137,004,819	79,978,926	80,017,318	222,527,416	217,022,137
Total assets	<u>180,858,692</u>	<u>179,457,703</u>	<u>108,033,252</u>	<u>110,201,909</u>	<u>288,891,944</u>	<u>289,659,612</u>
LIABILITIES						
Current liabilities	2,979,964	3,569,379	3,580,513	2,393,153	6,560,477	5,962,532
Long-term liabilities	10,388,843	11,391,891	12,185,569	13,054,183	22,574,412	24,446,074
Total liabilities	<u>13,368,807</u>	<u>14,961,270</u>	<u>15,766,082</u>	<u>15,447,336</u>	<u>29,134,889</u>	<u>30,408,606</u>
NET POSITION						
Net investment in capital assets	131,597,190	125,046,419	67,157,134	66,142,440	198,754,324	191,188,859
Unrestricted	35,892,695	39,450,014	25,110,036	28,612,033	61,002,731	68,062,047
Total net position	<u>\$ 167,489,885</u>	<u>\$ 164,496,433</u>	<u>\$ 92,267,170</u>	<u>\$ 94,754,473</u>	<u>\$ 259,757,055</u>	<u>\$ 259,250,906</u>

By far the largest portion of the Town's net position (86%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities: Significant revenues of the governmental activities are taxes (70%), which include property taxes, sales taxes, and other taxes. Program revenues are 23% of the total revenues of the governmental activities, which include charges for services, operating contributions and grants, and capital contributions and grants. Tax revenues decreased by 7% due to a decrease in property tax values from the sale of homes relative to the previous property values and other taxes.

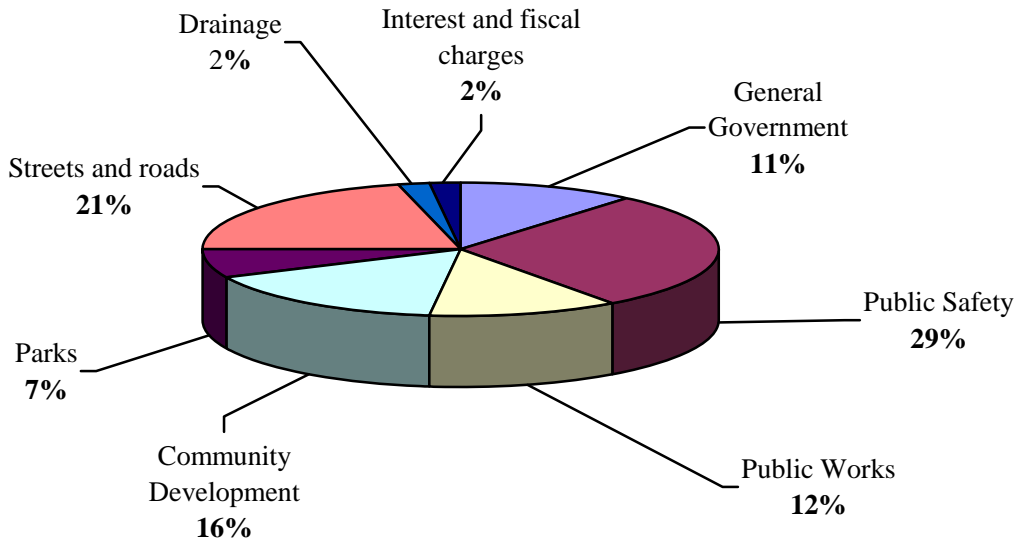
**TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013**



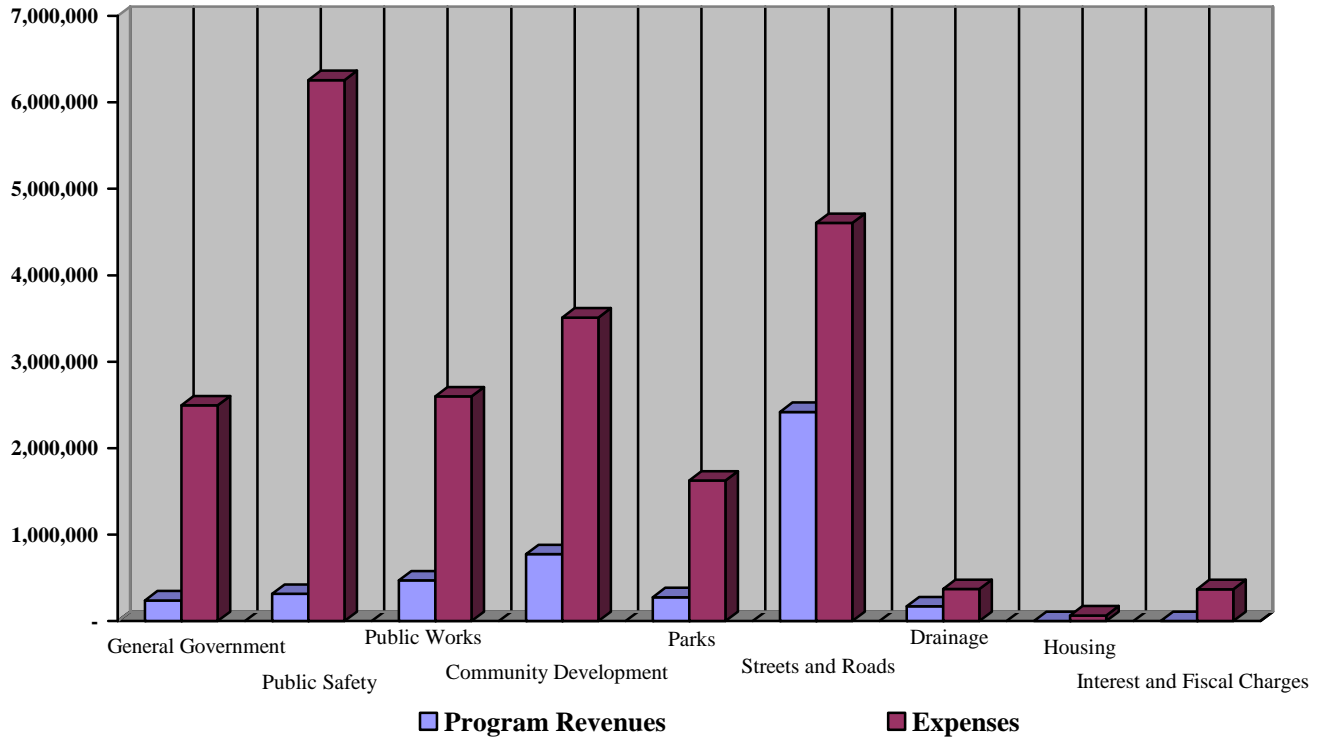
As for expenses, public safety expenses are the most significant (29%) of all governmental activities expenses, followed by streets and roads (21%), community development (16%), public works (12%), general government (11%), parks (7%) and various other programs (4%). Included in these amounts is depreciation expense, which is 19% of the total expenses for governmental activities.

**EXPENSES BY FUNCTION/PROGRAM - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013**



TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

COMPARISON OF EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL
ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013
(in dollars)



Business-type activities: In the fiscal year ended June 30, 2013 business-type activities decreased the Town's net position by \$2,487,303. Key elements of this change are as follows:

Charges for services increased by \$346,664 primarily due to an increase in water rates and the PAYS program.

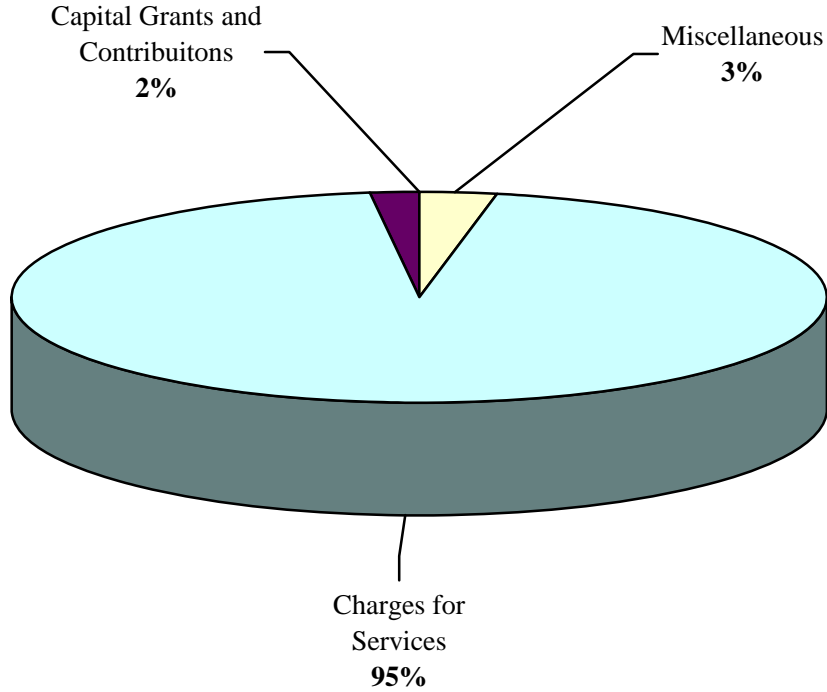
Capital grants and contributions increased by \$188,286 due to increased spending on infrastructure (utility systems) for the water and water reclamation systems.

Operating expenses increased by \$3,754,217 primarily due to the refunding of the CalPERS Side Fund loan and the write off of bad debt. Other factors increasing operating expenses included increased cost of water purchased from the County, increased legal cost due to threatened litigation and increased contractual services for biosolid removal. Salaries, benefits, supplies, repairs, insurance, depreciation, taxes, and contractual services increased.

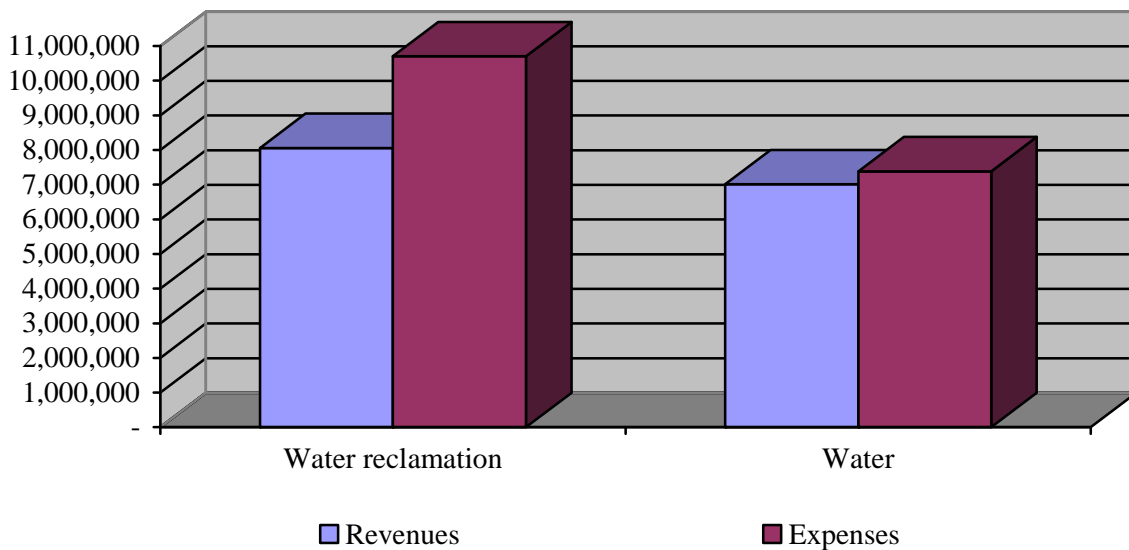
Unrestricted investment earnings decreased by \$239,458 primarily due to a lower rate of return over the previous year and the annual market rate adjustment.

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013



COMPARISON OF EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013
(in dollars)



TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

As of June 30, 2013, the Town's governmental funds reported total ending fund balance of \$30,248,911, a decrease of \$3,848,210 from the prior fiscal year. Total cash and restricted cash decreased by \$10,706,604 while investments increased by \$5,384,848, resulting in an overall decrease in cash and investments. Approximately 29% of the total ending fund balances constituted unassigned fund balances, which are considered available for appropriation. The remaining fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The most significant portion of the reserved fund balances is to pay debt service.

Governmental fund revenues were \$2,878,503 lower than in the prior fiscal year, and expenditures decreased by \$3,360,006. Operating grants and contributions accounted for a significant portion of the decrease in revenues. A reduction of principal payments on long-term debt accounted for most of the decreases in expenditures.

Proprietary Funds - The Town's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Water Utility's net position decreased \$38,633 in the 2012-13 fiscal year. This decrease was primarily due to an increase in charges for services, resulting in a net operating loss of \$57,677.

The Water Reclamation Utility's net position decreased \$2,448,670 in the current fiscal year which was primarily due to a decrease in charges for services, resulting in a net operating loss of \$2,495,864.

TOWN FISCAL HIGHLIGHTS

PAYS Program – On July 18, 2012, the Town Council took actions needed to proceed with implementation of Windsor Efficiency PAYS® (“PAYS®”), a residential on-bill financing pilot program. These actions included; adopting a resolution approving an interfund loan from the General Capital Replacement Fund to the Water Operating Fund to fund PAYS® in an amount not to exceed four million dollars; adopting a resolution approving changes to the Town’s rates and rate structures; and authorizing the Town Manager to complete contract negotiations for PAYS®, including a ten year agreement offered by Sonoma County Water Agency to provide a \$250,000 backstop fund against PAYS® participants’ bad debt.

On April 17, 2013, the Town Council provided direction to extend the program to June 30, 2014.

CalPERS Side Fund – In June 2003, CalPERS required all plans with less than 100 active members to join a risk pool. At that time, a side fund was created to account for the difference between the funded status of the pool and funded status of the plans. At the time of the refunding, the Town’s side fund balance was \$1,813,795.

On May 15, 2013, the Town Council adopted a resolution authorizing the Town Manager to initiate the lump sum payment to CalPERS to refund the side fund balance. By refunding the side fund, the Town

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

will save over \$791,195 in net interest costs over the remaining life of the “loan”. This amounts to a savings of approximately \$60,861 per year for 13 years.

RDA Loan Write-off – Pursuant to HSC section 34191.4 (b), loan agreements entered into between the former redevelopment agencies and sponsoring entities may be deemed enforceable if the Agency has received a Finding of Completion, the Agency’s Oversight Board approves the loan as an enforceable obligation and the Agency’s Oversight Board makes a finding that the loan was for legitimate redevelopment purposes.

In fiscal year 2013, the Town determined that a long term advance due from the former Redevelopment Agency (Successor Agency) to the Water Reclamation Operating Fund totaling \$913,000 was not an “enforceable obligation” as provided by the State of California. As a result, the long-term advance was written-off.

Redevelopment Agency Dissolution - As required by HSC section 34179.6 (f), on November 15, 2012 the Town acting as the Successor Agency transferred \$5,055,965 to the County. This amount represented the unencumbered balance of the RDA Low & Moderate Income Housing fund. On April 17, 2013, the Town acting as the Successor Agency transferred \$4,119,482 to the County. This amount represented the remaining amount of unencumbered RDA funds.

CAPITAL ASSETS

Capital assets - The Town's investment in capital assets for its governmental and business-type activities at June 30, 2013, amounted to \$222,527,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. Depreciation expense for the year totaled \$7,267,696.

	CAPITAL ASSETS			
	(net of accumulated depreciation)			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 32,310,417	\$ 30,074,138	\$ 6,893,707	\$ 6,893,707
Rights of way	407	407	-	-
Construction in Progress	139,886	1,897,899	2,943,610	6,563,711
Buildings	4,879,045	4,767,609	-	-
Improvements other than buildings	7,531,819	5,761,743	-	-
Equipment and machinery	262,068	65,132	354,989	202,828
Infrastructure	97,229,280	94,235,666	69,670,934	66,225,299
Vehicles	195,568	202,225	115,686	131,773
Total	<u>\$ 142,548,490</u>	<u>\$ 137,004,819</u>	<u>\$ 79,978,926</u>	<u>\$ 80,017,318</u>

Additional information on the Town's capital assets can be found in Note 6 of the notes to the financial statements.

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

DEBT ADMINISTRATION

Long-term liabilities - The Town's outstanding long-term liabilities, including bonds, loans payable, compensated absences and OPEB totaled \$24,485,633 at June 30, 2013. Of this total \$11,429,943, or 47%, was in governmental activities and \$13,055,690, or 53%, was in business-type activities. The Town's outstanding long-term liabilities decreased by \$2,071,613 or 8% in fiscal year 2013.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
General obligation bonds	\$ -	\$ -	\$ 38,000	\$ 45,000
Revenue bonds	10,951,300	11,958,400	7,580,000	8,130,000
Notes and loans payable	-	-	5,203,792	5,672,912
Net OPEB Obligation	226,000	193,000	-	-
Compensated absences	252,643	268,386	233,898	235,548
Total	<u>\$ 11,429,943</u>	<u>\$ 12,419,786</u>	<u>\$ 13,055,690</u>	<u>\$ 14,083,460</u>

Additional information on the Town's long-term liabilities can be found in Note 7 of the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a \$3,388,873 increase in general fund appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2013. Additional budget figures are shown on page 63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Town budget for the fiscal year 2013-14, the Town Council and management were conservative as to the projected growth of revenues and expenditures. The Town's principle revenues including sales tax, property tax and development-related fees are expected to begin a slow recovery through 2015. Low growth rates and continued uncertainty is being referred to as the "new norm". With continued uncertainty, staff will continue to monitor actual revenues in all funds to adjust current spending plans as necessary to maintain a balance budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide general overview for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Administrative Services Director, Town of Windsor, P.O. Box 100, Windsor, CA 95492-0100.

TOWN OF WINDSOR
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 10,502,519	\$ 19,712,819	\$ 30,215,338
Investments	18,854,353	5,807,402	24,661,755
Accounts receivable	1,750,382	3,226,099	4,976,481
Interest receivable	12,206	10,752	22,958
Notes receivable, net	5,003,127	-	5,003,127
Advances to other funds	400,000	-	400,000
Internal balances	944,954	(944,954)	-
Prepaid expenses	14,755	13,792	28,547
Inventory	154,627	61,332	215,959
Deferred charges, net of amortization	673,279	167,084	840,363
Capital assets			
Land and construction in progress	32,450,712	9,837,317	42,288,029
Other capital assets, net of depreciation	110,097,778	70,141,609	180,239,387
	<u>142,548,490</u>	<u>79,978,926</u>	<u>222,527,416</u>
Total capital assets			
	<u>180,858,692</u>	<u>108,033,252</u>	<u>288,891,944</u>
<u>LIABILITIES</u>			
Accounts payable	1,587,202	2,217,282	3,804,484
Accrued liabilities	211,187	199,199	410,386
Accrued interest payable	97,899	156,533	254,432
Deposits payable	42,576	137,378	179,954
Accrued compensated absences			
Due in more than one year	252,643	233,898	486,541
Long-term liabilities			
Due within one year	1,041,100	870,121	1,911,221
Due in more than one year	9,910,200	11,951,671	21,861,871
Net OPEB obligation	226,000	-	226,000
	<u>13,368,807</u>	<u>15,766,082</u>	<u>29,134,889</u>
<u>NET POSITION</u>			
Net investment in capital assets	131,597,190	67,157,134	198,754,324
Unrestricted	35,892,695	25,110,036	61,002,731
	<u>\$ 167,489,885</u>	<u>\$ 92,267,170</u>	<u>\$ 259,757,055</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-type	Total
					Governmental Activities	Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 2,495,826	\$ 174,078	\$ 65,324	\$ -	\$ (2,256,424)	\$ -	\$ (2,256,424)
Public safety	6,257,718	197,274	118,453	-	(5,941,991)	-	(5,941,991)
Public works	2,598,042	449,293	21,438	-	(2,127,311)	-	(2,127,311)
Community development	3,511,393	731,631	42,533	-	(2,737,229)	-	(2,737,229)
Parks	1,624,985	276,845	-	-	(1,348,140)	-	(1,348,140)
Streets and roads	4,604,568	289,660	2,129,344	-	(2,185,564)	-	(2,185,564)
Drainage	371,162	169,918	-	-	(201,244)	-	(201,244)
Housing	64,801	-	-	-	(64,801)	-	(64,801)
Interest and fiscal charges	368,351	-	-	-	(368,351)	-	(368,351)
Total governmental activities	<u>21,896,846</u>	<u>2,288,699</u>	<u>2,377,092</u>	<u>-</u>	<u>(17,231,055)</u>	<u>-</u>	<u>(17,231,055)</u>
Business-type activities:							
Water reclamation	10,719,421	7,982,787	-	75,000	-	(2,661,634)	(2,661,634)
Water	7,365,284	6,783,243	-	227,851	-	(354,190)	(354,190)
Total business-type activities	<u>18,084,705</u>	<u>14,766,030</u>	<u>-</u>	<u>302,851</u>	<u>-</u>	<u>(3,015,824)</u>	<u>(3,015,824)</u>
Total primary government	<u>\$ 39,981,551</u>	<u>\$ 17,054,729</u>	<u>\$ 2,377,092</u>	<u>\$ 302,851</u>	<u>(17,231,055)</u>	<u>(3,015,824)</u>	<u>(20,246,879)</u>
General revenues:							
Property taxes					5,209,733	3,055	5,212,788
Sales taxes					3,751,999	-	3,751,999
Other taxes					5,034,281	-	5,034,281
Motor vehicle in-lieu tax					13,842	-	13,842
Unrestricted investment earnings (loss)					(133,389)	72,541	(60,848)
Miscellaneous					404,904	553,545	958,449
Transfers					1,013,125	(100,620)	912,505
Total general revenues and transfers					<u>15,294,495</u>	<u>528,521</u>	<u>15,823,016</u>
Change in net assets							
					(1,936,560)	(2,487,303)	(4,423,863)
Net position - July 1, 2012, as previously reported					164,496,433	94,754,473	259,250,906
Prior period adjustment (Note 17)					4,930,012	-	4,930,012
Net position - June 30, 2013					<u>\$ 167,489,885</u>	<u>\$ 92,267,170</u>	<u>\$ 259,757,055</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital Replacement Fund	Housing Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 176,475	\$ 385,016	\$ 377,087	\$ 9,563,941	\$ 10,502,519
Investments	9,254,072	7,988,659	-	1,611,622	18,854,353
Accounts receivable	1,201,722	-	-	548,660	1,750,382
Interest receivable	4,301	3,033	-	4,872	12,206
Advances to other funds	400,000	-	-	1,100,000	1,500,000
Due from other funds	-	1,215,095	-	-	1,215,095
Prepaid expenses	13,686	-	-	1,069	14,755
Inventory	54,574	-	-	100,053	154,627
Notes receivable	-	-	5,003,127	-	5,003,127
Total Assets	<u>\$ 11,104,830</u>	<u>\$ 9,591,803</u>	<u>\$ 5,380,214</u>	<u>\$ 12,930,217</u>	<u>\$ 39,007,064</u>
<u>LIABILITIES AND OTHER FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 1,198,768	\$ 7,163	\$ -	\$ 381,271	\$ 1,587,202
Accrued liabilities	157,608	-	-	53,579	211,187
Deferred revenue	113,973	-	5,003,127	429,947	5,547,047
Deposits payable	42,576	-	-	-	42,576
Advances from other funds	-	-	-	1,100,000	1,100,000
Due to other funds	-	-	-	270,141	270,141
Total Liabilities	<u>1,512,925</u>	<u>7,163</u>	<u>5,003,127</u>	<u>2,234,938</u>	<u>8,758,153</u>
FUND BALANCES:					
Nonspendable	468,260	-	-	1,201,122	1,669,382
Restricted	33,829	-	377,087	1,297,586	1,708,502
Committed	-	4,000,000	-	-	4,000,000
Assigned	167,673	5,584,640	-	8,351,850	14,104,163
Unassigned	8,922,143	-	-	(155,279)	8,766,864
Total Fund Balances	<u>9,591,905</u>	<u>9,584,640</u>	<u>377,087</u>	<u>10,695,279</u>	<u>30,248,911</u>
Total Liabilities and Fund Balances	<u>\$ 11,104,830</u>	<u>\$ 9,591,803</u>	<u>\$ 5,380,214</u>	<u>\$ 12,930,217</u>	<u>\$ 39,007,064</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances of governmental funds	\$ 30,248,911
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of	142,548,490
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and, therefore, are offset by deferred revenue in the governmental funds.	5,547,047
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds	
Long-term liabilities	(10,951,300)
Compensated absences	(252,643)
Net OPEB obligation	(226,000)
Deferred charges, net of accumulated amortization of \$ 514,048 for debt issuance costs and discounts on long-term liabilities are expensed when incurred, and therefore are not reported in the governmental funds	673,279
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds	(97,899)
	(97,899)
Net position of governmental activities	\$ 167,489,885

See accompanying notes to the basic financial statements

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

	<u>General Fund</u>	<u>Capital Replacement Fund</u>	<u>Housing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Property taxes	\$ 5,195,363	\$ -	\$ -	\$ 14,370	\$ 5,209,733
Sales taxes	3,638,026	-	-	-	3,638,026
Other taxes	4,135,270	-	-	912,853	5,048,123
Licenses, permits, and fees	506,298	-	-	83,044	589,342
Fines and forfeitures	76,844	-	-	-	76,844
Rental income	94,044	-	-	1	94,045
Investment earnings (loss)	(115,533)	885	451	(77,998)	(192,195)
Intergovernmental	118,518	-	-	2,258,574	2,377,092
Charges for services	688,567	-	-	839,901	1,528,468
Other revenues	284,954	-	7,946	23,056	315,956
Total Revenues	<u>14,622,351</u>	<u>885</u>	<u>8,397</u>	<u>4,053,801</u>	<u>18,685,434</u>
<u>EXPENDITURES</u>					
General administration	2,118,573	-	-	43,689	2,162,262
Public safety	6,224,127	-	-	4,431	6,228,558
Public works	797,598	-	-	795,062	1,592,660
Community development	3,288,515	-	-	203,165	3,491,680
Streets and roads	-	-	-	2,004,440	2,004,440
Drainage	-	-	-	371,162	371,162
Housing	-	-	-	326	326
Capital outlay	2,122,340	345,613	-	2,812,481	5,280,434
Debt service:					
Principal	-	-	-	1,007,100	1,007,100
Interest	-	-	-	414,774	414,774
Total Expenditures	<u>14,551,153</u>	<u>345,613</u>	<u>-</u>	<u>8,650,003</u>	<u>23,546,769</u>
Excess (deficiency) of revenues over expenditures	<u>71,198</u>	<u>(344,728)</u>	<u>8,397</u>	<u>(4,596,202)</u>	<u>(4,861,335)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	965,976	300,000	-	1,775,273	3,041,249
Transfers out	(1,383,486)	(598,700)	-	(45,938)	(2,028,124)
Total Other Financing Sources (Uses)	<u>(417,510)</u>	<u>(298,700)</u>	<u>-</u>	<u>1,729,335</u>	<u>1,013,125</u>
Net change in fund balance	<u>(346,312)</u>	<u>(643,428)</u>	<u>8,397</u>	<u>(2,866,867)</u>	<u>(3,848,210)</u>
Fund balances - July 1, 2012	<u>9,938,217</u>	<u>10,228,068</u>	<u>368,690</u>	<u>13,562,146</u>	<u>34,097,121</u>
Fund balances - June 30, 2013	<u>\$ 9,591,905</u>	<u>\$ 9,584,640</u>	<u>\$ 377,087</u>	<u>\$ 10,695,279</u>	<u>\$ 30,248,911</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
RECONCILIATION OF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ (3,848,210)
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:</p>	
Capital asset purchases	5,193,466
Capital asset write-offs	(472,832)
Depreciation expense	(4,106,975)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
Bond principal payments	1,007,100
<p>Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.</p>	
	15,743
<p>Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Position.</p>	
Amortization of bond issuance costs	(74,529)
<p>Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenue and expenditures, respectively, in governmental funds, but are reported as an increase and decrease, respectively, in notes receivable in the Statement of Net Position.</p>	
Accrued interest on notes receivable	58,806
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the governmental funds</p>	
	202,919
<p>Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.</p>	
	120,952
<p>Certain expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.</p>	
Other post employment benefits	(33,000)
Other post employment benefits	<u>(33,000)</u>
Changes in net position of governmental activities	<u>\$ (1,936,560)</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 9,891,296	\$ 9,821,523	\$ 19,712,819
Investments	3,364,247	2,443,155	5,807,402
Accounts receivable	1,582,460	1,643,639	3,226,099
Interest receivable	5,276	5,476	10,752
Prepaid expenses	6,896	6,896	13,792
Inventory	2,698	58,634	61,332
Total Current Assets	14,852,873	13,979,323	28,832,196
Non-Current Assets			
Deferred issuance costs, net	83,742	83,342	167,084
Capital assets, net of accumulated depreciation	56,782,327	23,196,599	79,978,926
Total Non-Current Assets	56,866,069	23,279,941	80,146,010
Total Assets	71,718,942	37,259,264	108,978,206
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	1,750,617	466,665	2,217,282
Accrued liabilities	81,623	117,576	199,199
Accrued interest payable	120,782	35,751	156,533
Deposits payable	68,689	68,689	137,378
Due to other funds	475,185	469,769	944,954
Long term liabilities - current portion	667,621	202,500	870,121
Total Current Liabilities	3,164,517	1,360,950	4,525,467
Non-Current Liabilities			
Compensated absences	116,329	117,569	233,898
Loans payable	4,177,063	568,608	4,745,671
Bonds payable	3,618,500	3,587,500	7,206,000
Total Non-Current Liabilities	7,911,892	4,273,677	12,185,569
Total Liabilities	11,076,409	5,634,627	16,711,036
<u>NET POSITION:</u>			
Net investment in capital assets	48,319,143	18,837,991	67,157,134
Unrestricted	12,323,390	12,786,646	25,110,036
Total Net Position	\$ 60,642,533	\$ 31,624,637	\$ 92,267,170

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
<u>OPERATING REVENUES</u>			
Charges for services, net of refunds	\$ 7,693,155	\$ 6,783,243	\$ 14,476,398
Other revenue	227,948	362,742	590,690
Total Operating Revenue	7,921,103	7,145,985	15,067,088
<u>OPERATING EXPENSES</u>			
Salaries and benefits	3,074,634	3,013,458	6,088,092
Materials, supplies, and operational expenses	2,305,709	2,368,566	4,674,275
Repairs and maintenance	394,782	394,650	789,432
Insurance	156,800	156,800	313,600
Contractual services	1,788,707	159,641	1,948,348
Taxes and licenses	41,540	784	42,324
Utilities	583,586	20,251	603,837
Depreciation	2,071,209	1,089,512	3,160,721
Total Operating Expenses	10,416,967	7,203,662	17,620,629
Operating Income (Loss)	(2,495,864)	(57,677)	(2,553,541)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Amortization expense	(63,748)	(51,315)	(115,063)
Rental income	289,632	-	289,632
Grant revenue	75,000	227,851	302,851
Interest income	53,221	19,320	72,541
Interest expense	(238,706)	(110,307)	(349,013)
Loss on disposal of assets	(21,995)	(15,150)	(37,145)
Property taxes	3,055	-	3,055
Total Non-Operating Revenues (Expenses)	96,459	70,399	166,858
Income Before Contributions and Transfers	(2,399,405)	12,722	(2,386,683)
<u>TRANSFERS</u>			
Transfers in	1,600,000	2,321,065	3,921,065
Transfers out	(1,649,265)	(2,372,420)	(4,021,685)
Total Transfers	(49,265)	(51,355)	(100,620)
Change in net position	(2,448,670)	(38,633)	(2,487,303)
Total Net Position - July 1, 2012	63,091,203	31,663,270	94,754,473
Total Net Position - June 30, 2013	\$ 60,642,533	\$ 31,624,637	\$ 92,267,170

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 7,851,902	\$ 6,711,426	\$ 14,563,328
Cash paid to suppliers	(4,099,331)	(3,012,056)	(7,111,387)
Cash paid to employees	(3,074,229)	(2,980,180)	(6,054,409)
Net Cash Provided by Operating Activities	<u>678,342</u>	<u>719,190</u>	<u>1,397,532</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes	3,055	-	3,055
Transfers to other funds	(49,265)	(51,355)	(100,620)
Repayment on Advances to other funds	475,185	469,769	944,954
Net Cash Provided by Noncapital Financing Activities	<u>428,975</u>	<u>418,414</u>	<u>847,389</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant revenue	75,000	227,851	302,851
Restricted cash	145,516	90,771	236,287
Acquisition and construction of capital assets	(898,806)	(2,260,668)	(3,159,474)
Principal paid on capital debt	(834,712)	(191,408)	(1,026,120)
Interest paid on capital debt	(252,823)	(114,603)	(367,426)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,765,825)</u>	<u>(2,248,057)</u>	<u>(4,013,882)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase/disposal of investments	1,701,713	(2,260,894)	(559,181)
Rental income	289,632	-	289,632
Interest and dividends	62,491	28,675	91,166
Net Cash Provided by (Used for) Investing Activities	<u>2,053,836</u>	<u>(2,232,219)</u>	<u>(178,383)</u>
Net Decrease in Cash and Cash Equivalents	<u>1,395,328</u>	<u>(3,342,672)</u>	<u>(1,947,344)</u>
Cash and Cash Equivalents - July 1, 2012	<u>8,495,968</u>	<u>13,164,195</u>	<u>21,660,163</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 9,891,296</u>	<u>\$ 9,821,523</u>	<u>\$ 19,712,819</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED (USED
FOR) OPERATING ACTIVITIES:**

	<u>Water Reclamation</u>	<u>Water</u>	<u>Totals</u>
Operating Income (Loss)	\$ (2,495,864)	\$ (57,677)	\$ (2,553,541)
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation expense	2,071,209	1,089,512	3,160,721
Changes in assets and liabilities:			
Increase in accounts receivable	(85,471)	(450,827)	(536,298)
Decrease in prepaid expenses	(137)	(231)	(368)
Decrease (increase) in inventory	3,595	(4,541)	(946)
Decrease in accounts payable	1,168,335	93,408	1,261,743
Decrease in deposits payable	16,270	16,268	32,538
Increase in accrued wages	51	35,282	35,333
Increase (decrease) in compensated absences	354	(2,004)	(1,650)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 678,342</u>	<u>\$ 719,190</u>	<u>\$ 1,397,532</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Successor Agency Private Purpose Trust Funds	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,417,051	\$ 595,455	\$ 3,012,506
Restricted cash and cash equivalents	143,500	-	143,500
Investments	-	10,787	10,787
Prepays	1,565	-	1,565
Interest receivable	1,968	222	2,190
Deferred charges, net of accumulated amortization	382,768	-	382,768
Total Assets	2,946,852	606,464	3,553,316
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	77,490	5,514	83,004
Deposits payable	-	553,360	553,360
Advances from other funds	400,000	-	400,000
Interest payable	248,580	-	248,580
Long-term liabilities:			
Due within one year	405,000	-	405,000
Due in more than one year	5,235,000	-	5,235,000
Due to special assessment districts	-	47,590	47,590
Total Liabilities	6,366,070	606,464	6,972,534
Total Net Position	\$ (3,419,218)	\$ -	\$ (3,419,218)

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS-PRIVATE PURPOSE TRUST FUNDS
SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS

Property taxes	\$ 1,381,136
Investment earnings	13,649
Loan write-off	913,000
Transfers in	<u>1,534,937</u>
Total additions	<u>3,842,722</u>

DEDUCTIONS

Interest expense	379,127
Community development	262,365
Amortization	34,278
Due diligence review expense	9,175,447
Transfers out	<u>2,447,442</u>
Total deductions	<u>12,298,659</u>

Change in net position **(8,455,937)**

Net position held in trust - July 1, 2012 **9,966,731**

Prior period adjustment (Note 17) **(4,930,012)**

Net position held in trust - July 1, 2012, restated **5,036,719**

Net position held in trust - June 30, 2013 **\$ (3,419,218)**

See accompanying notes to the basic financial statements

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Windsor was incorporated on July 1, 1992, as a general law Town. The Town is primarily a residential community located in Sonoma County. The Town provides the following services: public safety, parks, streets and highways, water and water reclamation, culture-recreation, public improvements, planning and zoning, and general administration services. The Town operates under the Council-Manager form of government, with five elected Town Council members, who, in turn, elects one of its members to serve as the Mayor.

A. The Reporting Entity

The accompanying basic financial statements present the financial activity of the Town along with the financial activities of its blended component units, which are entities for which the Town is financially accountable. Together these entities comprise the primary government for reporting purposes. Although they are separate legal entities, *blended* component units are in substance part of the Town's operations and are reported as an integral part of the Town's financial statements. The Town's component units, which are described below, are all blended.

The former Windsor Redevelopment Agency (the "Agency") was established on July 1, 1993, pursuant to the State of California Health and Safety Code, Section 33000. It consisted of one project area: the Windsor Project Area. Its purpose was to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the Town of Windsor. The former Agency was controlled by the Town and had the same governing board as the Town. As of February 1, 2012, the former Agency was dissolved through State Assembly Bill 1X 26, which dissolved redevelopment agencies throughout the state of California. Certain assets, primarily loans receivable, have been retained by the Town, as it has taken over the housing functions of the former Agency. All remaining assets and liabilities have been transferred to the Successor Agency of the former Agency. The Successor Agency is reported in the Town's financial statements as a fiduciary private-purpose trust fund.

The Windsor Public Financing Authority (the "Authority") was established in accordance with the provisions of the laws of the State of California. The Authority was created for the purpose of providing financing for public capital improvements for the Town and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations. The Authority has the power to issue bonds and to pay the costs of any public capital improvements. The Authority is controlled by the Town and has the same governing body as the Town, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Debt Service Fund.

The Windsor Water District (the "District") is a separate entity whose purpose is to provide water and sewer (water reclamation) services within the Town. The District is controlled by the Town and has the same governing body as the Town, which also performs all accounting and administrative functions for the District. The financial activities of the District are included in the Proprietary Funds.

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

B. Basis of Presentation

The Town's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These standards require that the financial statements described below be presented:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall Town government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the Town. The Town's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the Town's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund: The general fund is be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues is the foundation for a special revenue fund.

Capital Projects Fund: Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund: Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements (other than pension and investment trust funds) under which principal and income benefit individuals, private organizations, or other governments.

Major Funds

The Town reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Replacement Fund - This fund is used to account for costs associated with the replacement of Town equipment.

Housing Fund – This fund is used to account for housing assets transferred from the former Agency.

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

The Town reports the following major proprietary funds in the accompanying financial statements:

Water Reclamation - This fund accounts for the operation and maintenance of the Town's wastewater collection system, the wastewater treatment facility, and the recycled waste disposal and distribution system.

Water Fund - This fund accounts for the operation and maintenance of the Town's water distribution system.

The Town also reports the following fund types, which as noted above, are not included in the government-wide financial statements:

Agency Funds - These funds are used to report resources held by the Town in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private Purpose Trust Funds - The Town also maintains private-purpose trust funds for the Successor Agency to the former Windsor Redevelopment Agency. Private-purpose trust funds include a Statement of Net Position and a Statement of Changes in Net Position.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a “current financial resources” measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Private-purpose trust funds do report a statement of changes in net position.

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

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Town may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net positions are available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The Town follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, which do not conflict with Government Accounting Standards Board Pronouncements.

All proprietary funds and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the Water and Water Reclamation enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Sonoma levies, bills, and collects property taxes and special assessments for the Town. Property taxes levied are recorded as revenue when received in the fiscal year or levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the Town and the County of Sonoma. The Teeter Plan authorizes the Auditor/Controller of the County of Sonoma to

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

allocate 100% of the secured property taxes billed, but not yet paid. The County of Sonoma remitted tax monies to the Town in three installments as follows:

50% remitted in December
45% remitted in April
5% remitted in June

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Sonoma for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978, whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of two percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

E. Cash and Investments

The Town pools the cash of all funds, except for monies deposited with fiscal agent in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the Town's cash and investment pool. As the Town places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The Town's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF and the Sonoma County Investment Pool determine the fair value of their portfolio quarterly and report a factor to the Town; the Town applies that factor to convert its share of LAIF and the Sonoma County Investment Pool from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of the governmental funds. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the Town has defined cash and cash equivalents to be change and petty cash funds and equity in the Town's cash and investment pool.

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

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Business-type activities report utilities account receivables and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

G. Prepaid Expenses and Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out (“FIFO”) method. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are purchased rather than when consumed. Inventory in the enterprise funds consist principally of materials and supplies for utility operations. Inventory in the General Fund consists of materials and supplies.

Major payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets with a historical cost over \$5,000 and an estimated useful life in excess of one year are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

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

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

Buildings	50 years
Improvements other than buildings	10-25 years
Infrastructure	30-100 years
Utility systems	5-50 years
Vehicles	4-10 years
Computer equipment	3-5 years
Other equipment and furnishings	5-20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate earned vacation up to 160 hours. Additional accrual requires the Town Manager's approval. Employees may accumulate sick leave without limits. The Town's liability for compensated absences is recorded in the government-wide Statement of Net Position for governmental funds and the Statement of Net Position for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2013. Accumulated unpaid vacation and sick pay are accrued when earned. At retirement, management personnel have the option of receiving 20 percent of their accumulated sick leave as a lump sum payment or 100 percent as additional service credit. Upon termination, 20 percent of the accumulated sick leave may only be taken as a lump sum payment. Other employees may apply their accumulated sick leave as additional service credit at retirement.

J. Long-Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

K. Interfund Transactions

The following is a description of the three basic types of interfund transactions made during the year and the related accounting policies:

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Operating transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

Transactions between funds of the Town are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as either “due to/from other funds” (e.g., current portion of interfund loans) or “advances to/from funds” (e.g., noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

L. Equity Classifications

Government-wide Statements

Net position is the excess of all the Town's assets over all its liabilities, regardless of fund. Net position is divided into three categories under GASB Statement 34. These categories apply only to net position, which is determined at the Government-wide level, and are described below:

1. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net position* - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

In the fund financial statements, fund balances are in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. Fund balances are classified in the following categories:

1. *Nonspendable* – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.
2. *Restricted* – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.
3. *Committed* – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The Town Council is considered the highest authority for the Town.
4. *Assigned* – Assigned fund balances encompassed the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose.
5. *Unassigned* – This category is for any balances that have no restrictions placed upon them.

M. General Budget Policies

The biennial budget adopted by the Town Council provides for the general operation of the Town. It includes proposed expenditures and the means of financing them. The Town Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. The appropriated budget covers all Town expenditures. Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of budgetary control. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, the Town Council must approve any revisions that alter the total expenditures of any fund.

N. Use of Estimates

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

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

O. New Pronouncements

As of June 2013, the Town adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amended the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncement by incorporating deferred outflows of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The Town is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (“GASB”) Statements:

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”), which is effective for financial statements for periods beginning after December 31, 2012. GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The Town is reviewing the impact of the adoption of GASB 65 for the fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (“GASB 68”). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Statement 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position. This will result in requiring employers to recognize an unfunded pension obligation (i.e., the “net pension liability”) as a balance sheet liability in their government-wide basic financial statements. Governments will also have to enhance note disclosures and schedules of required supplementary information. GASB 68 is effective for fiscal year June 30, 2015 and earlier application is encouraged. The Town is currently evaluating the impact of adopting this GASB Standard.

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

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of June 30, 2013 were classified in the accompanying financial statements as follows:

	Cash and cash equivalents	Restricted cash and cash equivalents	Investments	Total
Governmental activities	\$ 10,502,519	\$ -	\$ 18,854,353	\$ 29,356,872
Business-type activities	19,712,819	-	5,807,402	25,520,221
Total government wide cash, cash equivalents, and investments	<u>30,215,338</u>	<u>-</u>	<u>24,661,755</u>	<u>54,877,093</u>
Fiduciary activities	3,012,506	143,500	10,787	3,166,793
Total cash, cash equivalents, and investments	<u>\$ 33,227,844</u>	<u>\$ 143,500</u>	<u>\$ 24,672,542</u>	<u>\$ 58,043,886</u>

Cash, cash equivalents, and investments were carried at fair value as of June 30, 2013 and consisted of the following:

Cash and cash equivalents in investment pools	\$ 27,135,496
Cash and cash equivalents with fiscal agent	16,775
Restricted cash	143,500
Investments	24,679,079
Cash in banks	6,066,961
Petty cash	2,075
Total cash and investments	<u>\$ 58,043,886</u>

Authorized Investments of the Town

The table below identifies the investment types that are authorized by the Town's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Town, rather than the general provisions of the California Government Code or the Town's investment policy.

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	50%	15%
Banker's Acceptances	180 days	25%	5%
Commercial Paper	180 days	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	90 days	75%	None
County Pooled Investment Funds	N/A	75%	None
Local Agency Investment Fund (LAIF)	N/A	75%	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Town's investment policy. The table below identifies the investment types that are authorized by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State or Local Government Obligation	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Money Market Funds	N/A	None	None
Investment contracts	None	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None

Disclosure Relating to 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 of its fair value to changes in market interest rates. One of the ways that the Town's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Information about the sensitivity of the fair values of the Town's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Town's investments and cash equivalents by maturity as of June 30, 2013:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Investment pools (LAIF & County)	\$ 27,135,496	\$ -	\$ 27,135,496
Investments:			
United States Treasury Obligations	-	1,018,440	1,018,440
Federal Home Credit Bank	-	6,947,979	6,947,979
Federal Home Loan Bank	-	2,924,080	2,924,080
Fannie Mae	-	10,805,700	10,805,700
Medium Term Note	-	1,987,800	1,987,800
Corporate Bonds	-	995,080	995,080
Held by bond trustee:			
Money market funds	16,775	-	16,775
	<u>\$ 27,152,271</u>	<u>\$ 24,679,079</u>	<u>\$ 51,831,350</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Town has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Investment pools (LAIF & County)	\$ 27,135,496			Not rated
Investments:				
United States Treasury Obligations	1,018,440	not rated	AAA	
Federal Home Credit Bank	6,947,979	AA+	AAA	
Federal Home Loan Bank	2,924,080	AA+	AAA	
Fannie Mae	10,805,700	AA+	AAA	
Medium Term Note	1,987,800	A	A3	
Corporate Bonds	995,080	AA+	A1	
Held by bond trustee:				
Money market funds	16,775			Not rated
	<u>\$ 51,831,350</u>			

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

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the Town's investments were as follows:

Issuer	Investment Type	Amount
Federal Home Credit Bank	U.S. Agency Securities	\$ 6,947,979
Federal Home Loan Bank	U.S. Agency Securities	2,924,080
Fannie Mae	U.S. Agency Securities	10,805,700

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 (e.g. broker-dealer) to a transaction, a government 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 Town 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 or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Town's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Town places its cash and cash equivalents with a high quality financial institution. Balances may, from time to time, exceed FDIC insurance limits. The Town has never experienced any losses related to these balances. Non-interest bearing balances are fully insured up to \$250,000 per depositor at each financial institution, and the Town's noninterest bearing cash balances may again exceed federally insured limits.

Investment in State and County Investment Pool

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

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

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

NOTE 4: NOTES AND LOANS RECEIVABLE

These notes and loans receivable, including interest, were comprised of the following at June 30, 2013:

	Notes Receivable
Forest Winds Apartments	\$ 557,457
Winter Creek Village Apartments	1,043,073
Vinecrest	1,025,118
Windsor Redwoods	2,652,479
Twin Oaks	125,000
Manzanita Self-help	750,000
	6,153,127
Allowance for doubtful accounts	(1,150,000)
Total	\$ 5,003,127

A. Forest Winds Apartments Note Receivable

In March 1992, the Sonoma County Community Development Commission entered into an agreement to loan \$340,000 to Burbank Housing Development Corporation (“Burbank”), a nonprofit public benefit corporation, for property acquisition and development costs of an affordable housing project in the Town of Windsor. This note accrues 3% simple interest for 30 years with all principal and interest payments deferred for the life of the loan. Accrued interest, which was included in the loan balance at June 30, 2013, totaled \$217,457.

B. Winter Creek Village Apartments Note Receivable

In January 2003, various loans were granted to the Burbank Housing Development Corporation for the Winter Creek Village Apartment Project. The total loan amount of \$1,085,000 was for property acquisition and development costs, fees, and permits for an affordable housing project in the Town of Windsor. This note accrues at 3% simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest, which was included in the loan balance at June 30, 2013, totaled \$115,583.

C. Vinecrest Note Receivable

In January 1997, the former Agency made payments to the Burbank Housing Development Corporation for the development costs of an affordable housing project (Vinecrest Housing Project). The loan accrues interest at 3% simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest, which was included in the loan balance at June 30, 2013, totaled \$337,118.

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

D. Windsor Redwoods Receivable

In March 2010, the former Agency entered into loan agreements totaling \$2,252,479 with Windsor Redwoods, L.P. (a project of the Burbank Housing Development Corporation) to assist in the development of a 65-unit multi-family housing development for low and very low income households, in which all outstanding principal, and interest if any, is due 55 years from the date of the loans.

In addition, the Town entered into a promissory note in the amount of \$400,000 with Windsor Redwoods, for the purpose of providing Windsor Redwoods funds to pay \$400,000 of the \$1,000,000 development impact fees owed to the Town for the project.

All outstanding principal, and interest if any, is due 55 years from the date of the loans, or, in the case of the \$400,000 promissory note, 55 years from the date the Windsor Redwoods obtains permanent financing for the project. The loans do not accrue interest, except in the event of default, as defined in the agreements. Annual payments are due in an amount equal to 75% of the residual receipts, as defined in the loan agreements. Such annual payments are due in arrears, commencing November 1, 2012. The Town has recorded an allowance for doubtful accounts of \$400,000 related to these loans.

E. Twin Oaks Notes Receivable

In July 2002, the former Agency sold three town-homes aggregating \$691,500 to three different individuals. Two of the properties were repurchased in the 2005-2006 fiscal year and the notes were dissolved leaving one note outstanding for \$50,000. In December 2005, the former Agency sold one of the properties with a balance of \$75,000 in the form of a note, and in August 2008, the former Agency sold the remaining property with a balance of \$50,000. Upon the future sale of the property, the Town will receive the principal amount of the notes plus a share of the property's appreciation. The appreciation is equal to the percentage amount that the note represents as a portion of the original sales price. The July 2002 outstanding note was deemed uncollectible and written-off in fiscal year 2012.

F. Manzanita Self-Help

In October 2009, the former Agency entered into an agreement with Burbank to assist in the development of a 22-unit self-help housing project (Manzanita), whereby the former Agency agreed to loan Burbank up to \$4.6 million. Burbank had agreed to sell the units to lower income households because of certain California Housing Finance Agency Residential Development Loan Program ("RDLP") funds provided to Burbank by the former Agency. The RDLP funds related to the Manzanita project totaling \$2,725,458 were repaid by Burbank in fiscal year 2012.

In addition to making the RDLP funds available, in December 2011 the former Agency invested a total of \$750,000 into the development of the 22 units (\$34,091 per unit). The agreement places resale controls on the units to require payment of any excess proceeds of sale, as defined, to the former Agency (now the Town, as it has assumed the housing activities of the former Agency). The agreement also provides the Town an option to purchase the unit at a restricted price, as defined. If the owner of the unit has owned the unit for seven years, the owner may sell the unit at any unrestricted price and pay the Town an "investment return", as defined in the agreement. As any return to the Town is contingent on the resale of the units, the \$750,000 has been fully reserved for as of June 30, 2013.

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

NOTE 5: INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Description of transfer</u>	<u>Amount</u>
Major Governmental Funds			
General Fund	Capital Replacement	Funding for future capital purchases	\$ 300,000
General Fund	Successor Agency	Return prior year transfer	48,467
General Fund	Lighting & Landscaping Assessment	Cover fund balance deficit	690,063
General Fund	Community Development Block Grant	Cover fund balance deficit	116,989
Police Grants (General Fund)	General Fund	Spent COPS funds	227,967
Capital Replacement	General Fund	CalPers Side fund payoff	598,700
Total Major Governmental Interfund Transfers			1,982,186
Non-Major Governmental Funds			
Transporation Development Act	General Fund	Close fund balance	38,689
Lighting & Landscaping Assessment	Succoessor Agency	Return prior year transfer	7,249
Total Non-Major Governmental Interfund Transfers			45,938
Total Governmental Interfund Transfers			2,028,124
Proprietary Funds			
Water Reclamation Operating	General Fund	Facility cost sharing	49,265
Water Reclamation Operating	Water Reclamation Capital Replacement	Funding of capital purchases	821,112
Water Reclamation Capital Replacement	Water Reclamation Operating	Capitalize capital expenses	382,636
Water Reclamation Capital	Water Reclamation Operating	Capitalize capital expenses	396,252
Water Operating	Water Capital Replacement	Funding of capital purchases	-
Water Operating	General Fund	Facility cost sharing	51,356
Water Capital Replacement	Water Operating	Capitalize capital expenses	2,276,100
Water Capital	Water Operating	Capitalize capital expenses	44,964
Total Proprietary Interfund Transfers			4,021,685
Fiduciary Funds			
Successor Agency - Capital	Successor Agency - Debt	Scheduled debt service	1,479,221
Successor Agency - Debt	Debt Service	Scheduled debt service	968,221
Total Proprietary Interfund Transfers			2,447,442
Total Interfund Transfers			\$ 8,497,251

Long-term advances from the Town of Windsor to the Successor Agency

The town had advances from the Former Redevelopment Agency (Successor Agency) totaling \$1,313,000 as of the beginning of the year. The advances have a 0% interest rate. The repayment of such advances shall be subordinate to all other obligations of indebtedness incurred by the Agency. There is no future minimum debt service requirement, as repayment will be made when funds are available. The outstanding balance on the advances at June 30, 2013 was \$400,000. During 2013, the Town wrote-off a long-term advance from the Successor Agency of \$913,000 as such advance was deemed no longer collectible.

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

NOTE 6: CAPITAL ASSETS

Governmental activities:

	Balance at June 30, 2012	Prior Period Adjustment (Note 17)	Additions	Retirements /Transfers	Balance at June 30, 2013
Capital assets not being depreciated					
Land	\$ 30,074,138	\$ 2,236,279	\$ -	\$ -	\$ 32,310,417
Rights of way	407	-	-	-	407
Construction-in-progress	1,897,899	90,249	84,843	(1,933,103)	139,888
Total capital assets not being depreciated	31,972,444	2,326,528	84,843	(1,933,103)	32,450,712
Capital assets being depreciated					
Buildings	7,055,648	256,850	-	-	7,312,498
Improvements other than buildings	12,471,597	2,373,498	-	-	14,845,095
Equipment and machinery	1,079,640	-	248,317	(540,554)	787,403
Infrastructure	140,166,027	-	4,765,086	1,540,822	146,471,935
Vehicles	778,909	-	95,220	(137,800)	736,329
Total capital assets being depreciated	161,551,821	2,630,348	5,108,623	862,468	170,153,260
Less accumulated depreciation					
Buildings	(2,288,039)	(2,140)	(143,274)	-	(2,433,453)
Improvements other than buildings	(6,709,854)	(24,724)	(578,697)	-	(7,313,275)
Equipment and machinery	(1,014,508)	-	(16,871)	506,044	(525,335)
Infrastructure	(45,930,361)	-	(3,313,827)	1,530	(49,242,658)
Vehicles	(576,684)	-	(54,306)	90,229	(540,761)
Total accumulated depreciation	(56,519,446)	(26,864)	(4,106,975)	597,803	(60,055,482)
Total capital assets, net	\$ 137,004,819	\$ 4,930,012	\$ 1,086,491	\$ (472,832)	\$ 142,548,490

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

General administration	\$ 339,075
Public safety	29,160
Public works	940,246
Community development and recreation	12,123
Parks	631,612
Streets and roads	2,090,284
Housing	64,475
Total governmental activities depreciation expense	\$ 4,106,975

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

Business-type activities:

	Balance at June 30, 2012	Additions	Retirements /Transfers	Balance at June 30, 2013
Water Fund:				
Capital assets not being depreciated				
Land	\$ 628,586	\$ -	\$ -	\$ 628,586
Construction-in-progress	1,035,133	556,929	(954,723)	637,339
Total capital assets not being depreciated	<u>1,663,719</u>	<u>556,929</u>	<u>(954,723)</u>	<u>1,265,925</u>
Capital assets being depreciated				
Infrastructure (utility systems)	35,931,595	1,740,635	830,782	38,503,012
Equipment and machinery	956,877	63,542	(264,773)	755,646
Vehicles	712,183	23,501	(31,859)	703,825
Total capital assets being depreciated	<u>37,600,655</u>	<u>1,827,678</u>	<u>534,150</u>	<u>39,962,483</u>
Less accumulated depreciation				
Infrastructure (utility systems)	(15,742,564)	(1,040,654)	-	(16,783,218)
Equipment and machinery	(834,446)	(15,669)	249,624	(600,491)
Vehicles	(646,771)	(33,189)	31,860	(648,100)
Total accumulated depreciation	<u>(17,223,781)</u>	<u>(1,089,512)</u>	<u>281,484</u>	<u>(18,031,809)</u>
Total capital assets, net	<u>\$ 22,040,593</u>	<u>\$ 1,295,095</u>	<u>\$ (139,089)</u>	<u>\$ 23,196,599</u>
	Balance at June 30, 2012	Additions	Retirements /Transfers	Balance at June 30, 2013
Water Reclamation Fund:				
Capital assets not being depreciated				
Land	\$ 6,265,121	\$ -	\$ -	\$ 6,265,121
Construction-in-progress	5,528,578	359,135	(3,581,441)	2,306,272
Total capital assets not being depreciated	<u>11,793,699</u>	<u>359,135</u>	<u>(3,581,441)</u>	<u>8,571,393</u>
Capital assets being depreciated				
Infrastructure (utility systems)	73,169,312	396,252	3,549,105	77,114,669
Equipment and machinery	3,035,265	152,254	(260,136)	2,927,383
Vehicles	844,670	23,501	(62,245)	805,926
Total capital assets being depreciated	<u>77,049,247</u>	<u>572,007</u>	<u>3,226,724</u>	<u>80,847,978</u>
Less accumulated depreciation				
Infrastructure (utility systems)	(27,133,044)	(2,030,486)	-	(29,163,530)
Equipment and machinery	(2,954,868)	(10,822)	238,142	(2,727,548)
Vehicles	(778,309)	(29,901)	62,244	(745,966)
Total accumulated depreciation	<u>(30,866,221)</u>	<u>(2,071,209)</u>	<u>300,386</u>	<u>(32,637,044)</u>
Total capital assets, net	<u>\$ 57,976,725</u>	<u>\$ (1,140,067)</u>	<u>\$ (54,331)</u>	<u>\$ 56,782,327</u>

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

Depreciation expense was changed to functions/programs of the Town's business-type activities follows:

Water Fund	\$ 1,089,512
Water Reclamation fund	<u>2,071,209</u>

Total business-type activities depreciation expense	<u><u>\$ 3,160,721</u></u>
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Fiduciary activities:

	Balance at June 30, 2012	Prior Period Adjustment	Additions	Retirements	Balance at June 30, 2013
Capital assets not being depreciated					
Land	\$ 2,236,279	\$ (2,236,279)	\$ -	\$ -	\$ -
Construction-in-progress	90,249	(90,249)	-	-	-
Total capital assets not being depreciated	<u>2,326,528</u>	<u>(2,326,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated					
Buildings	256,850	(256,850)	-	-	-
Improvements other than buildings	2,373,498	(2,373,498)	-	-	-
Total capital assets being depreciated	<u>2,630,348</u>	<u>(2,630,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation					
Buildings	(2,140)	2,140	-	-	-
Improvements other than buildings	(24,724)	24,724	-	-	-
Total accumulated depreciation	<u>(26,864)</u>	<u>26,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u><u>\$ 4,930,012</u></u>	<u><u>\$ (4,930,012)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Refer to Note 17 for further information regarding the prior period adjustment.

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

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term liabilities for the fiscal year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013	Current Portion
Governmental activities:					
Compensated absences	\$ 268,386	\$ -	\$ (15,743)	\$ 252,643	\$ -
Net OPEB obligation	193,000	33,000	-	226,000	-
Revenue bonds	11,958,400	-	(1,007,100)	10,951,300	1,041,100
Total Governmental Activities	<u>\$ 12,419,786</u>	<u>\$ 33,000</u>	<u>\$ (1,022,843)</u>	<u>\$ 11,429,943</u>	<u>\$ 1,041,100</u>
	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013	Current Portion
Business-type activities:					
Water Fund:					
Compensated absences	\$ 119,573	\$ -	\$ (2,004)	\$ 117,569	\$ -
Due to fiscal agent	167,500	-	(167,500)	-	-
Revenue bonds	3,790,000	-	-	3,790,000	202,500
SDWSRF loan payable	592,516	-	(23,908)	568,608	-
	<u>4,669,589</u>	<u>-</u>	<u>(193,412)</u>	<u>4,476,177</u>	<u>202,500</u>
Water Reclamation Fund					
State Revolving Fund	5,080,396	-	(445,212)	4,635,184	458,121
Compensated absences	115,975	354	-	116,329	-
Due to fiscal agent	167,500	-	(167,500)	-	-
Revenue bonds	4,005,000	-	(215,000)	3,790,000	202,500
General obligation bonds	45,000	-	(7,000)	38,000	7,000
	<u>9,413,871</u>	<u>354</u>	<u>(834,712)</u>	<u>8,579,513</u>	<u>667,621</u>
Total Business-type Activities	<u>\$ 14,083,460</u>	<u>\$ 354</u>	<u>\$ (1,028,124)</u>	<u>\$ 13,055,690</u>	<u>\$ 870,121</u>
	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013	Current Portion
Fiduciary activities:					
Tax allocation bonds	\$ 4,725,000	\$ -	\$ (385,000)	\$ 4,340,000	\$ 405,000
CAL HFA Loans Payable	1,300,000	-	-	1,300,000	-
Total Fiduciary Activities	<u>\$ 6,025,000</u>	<u>\$ -</u>	<u>\$ (385,000)</u>	<u>\$ 5,640,000</u>	<u>\$ 405,000</u>

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

A description of the long-term liabilities related to governmental activities at June 30, 2013 follows:

A. Governmental Activities

Lease Revenue Bonds

On October 1, 1994, the Financing Authority issued \$6,555,000 in Lease Revenue Bonds - Series 1994C to finance the acquisition of a site for the Town's offices and the construction and installation of improvements on that site (Windsor Civic Center). Interest on the 1994 Lease Revenue Bonds is payable on April 1 and October 1 of each year through October 1, 2024 beginning April, 1995. Principal is payable on October 1 of each year through October 1, 2024, beginning October 1, 1995.

In May of 2001, the 1994 Lease Revenue Bonds were advance refunded by the issuance of \$6,785,000 of Series 2001A Lease Revenue Bonds. The advance refunding met the requirements of an in-substance debt defeasance, and the 1994 bonds were removed from the Town's long-term liabilities portfolio. The 2001A Lease Revenue Bonds are secured by the same collateral as the 1994 Lease Revenue Bonds. Bond principal is due October 1 of each year beginning October 2001 and the bonds mature on October 1, 2024. Interest is payable on April 1 and Oct 1 of each year. Interest on the bond varies between 3.2 and 5.4 percent with a final maturity in 2024.

In March of 2012, the Series 2001A Lease Revenue Bonds were advance refunded by the issuance of \$4,823,400 of Series 2012A Lease Revenue Bonds. The advance refunding met the requirements of an in-substance debt defeasance, and the Series 2001A bonds were removed from the Town's long-term liabilities portfolio. The 2012A Lease Revenue Bonds are secured by the same collateral as the Series 2001A Lease Revenue Bonds. Bond principal is due April 1 and October 1 of each year beginning October 2012 and the bonds mature on October 1, 2024. Interest is payable on April 1 and Oct 1 of each year. Interest on the bond is 2.38 percent with a final maturity in 2024. The outstanding principal balance of the bonds at June 30, 2013 was \$4,486,300.

On August 14, 2008, the Agency issued \$8,400,000 of Lease Revenue Bonds (Series 2008) to (1) finance a new fire station and related facilities, (2) fund the Reserve fund requirement, (3) fund a deposit to the Interest fund representing capitalized interest on the bonds through April 1, 2011, and (4) to pay the costs of issuance relating to the bonds. The bonds were issued pursuant to a trust agreement by and between the Windsor Joint Powers Authority. The bonds were issued at a discount of \$6,730, and issuance costs were \$152,650. Principal is payable on October 1 each year through 2020, beginning in 2008. Interest is payable on October 1 and April 1 of each year through April 2020. The bonds are secured by a pledge of revenues which consist of base rental payments paid by or for the benefit of the Town and received by the Authority pursuant to a Facility Lease. The outstanding principal balance of the 2008 bonds at June 30, 2013 was \$6,465,000.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization, in the amount of \$673,279 in the government-wide financial statements. The balance is amortized using the straight line method over the bond terms which range from 17 to 20 years. Amortization expense for bond costs for the year ended June 30, 2013 was \$74,529.

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

Governmental Activities Long-Term Liabilities Bond Amortization:

2012A Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2014	\$ 346,100	\$ 104,727	\$ 450,827
2015	354,100	96,442	450,542
2016	361,700	87,970	449,670
2017	368,500	79,321	447,821
2018	379,600	70,485	450,085
2019-2023	2,024,400	212,459	2,236,859
2024-2025	651,900	15,585	667,485
Total	\$ 4,486,300	\$ 666,989	\$ 5,153,289

2008 Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2014	\$ 695,000	\$ 270,921	\$ 965,921
2015	725,000	242,521	967,521
2016	755,000	211,411	966,411
2017	785,000	177,531	962,531
2018	820,000	142,221	962,221
2019-2021	2,685,000	189,972	2,874,972
Total	\$ 6,465,000	\$ 1,234,577	\$ 7,699,577

TOTAL GOVERNMENT ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2014	\$ 1,041,100	\$ 375,648	\$ 1,416,748
2015	1,079,100	338,963	1,418,063
2016	1,116,700	299,381	1,416,081
2017	1,153,500	256,852	1,410,352
2018	1,199,600	212,706	1,412,306
2019-2023	4,709,400	402,431	5,111,831
2024-2025	651,900	15,585	667,485
Total	\$ 10,951,300	\$ 1,901,566	\$ 12,852,866

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

B. Business-type Activities

General Obligation Bonds

Three issues of general obligation bonds (Sewer bonds) have been issued by the Windsor Water District. These bonds were issued in 1971 (2 issues) and in 1978, have an annual interest rate of 5%.

The Water Reclamation Enterprise Fund receives property tax revenues to service the general obligation bonds. The outstanding principal balance of the general obligation bonds at June 30, 2013 was \$38,000.

Revenue Bonds

On June 11, 2002, the Town of Windsor and the Windsor Water District issued, through the California Statewide Communities Development Authority, \$10,290,000 of Water and Wastewater Revenue Bonds Series 2002B. The bonds are due in installments beginning October 1, 2003 and ending October 1, 2027. The bonds carry interest rates ranging from 4.00% to 5.25% and interest is due and payable in semi-annual installments on October 1 and April 1. After paying issuance costs, the funds were deposited with a trustee and were used to finance a new Water and Wastewater Corporation Yard.

In March of 2012, the Series 2002B Revenue Bonds were advance refunded by the issuance of \$7,580,000 of Series 2012D Revenue Bonds. The advance refunding met the requirements of an in-substance debt defeasance, and the Series 2002B bonds were removed from the Town's long-term liabilities portfolio. The 2012D Revenue Bonds are secured by the same collateral as the Series 2002B Lease Revenue Bonds. Bond principal is due April 1 and October 1 of each year beginning October 2012 and the bonds mature on October 1, 2027. Interest is payable on April 1 and Oct 1 of each year. Interest on the bond is 2.38 percent with a final maturity in 2027. The outstanding principal balance of the bonds at June 30, 2013 was \$7,580,000.

On December 15, 2004, the Town of Windsor issued through the California Statewide Communities Development Authority \$1,585,000 of 2004C Water and Wastewater Revenue bonds. These bonds, along with cash reserves from the 1994A Revenue bonds, were used to pay issue costs and refund the outstanding balance of the 1994A Revenue bonds in the amount of \$1,745,000 plus a 2% call premium of \$34,900. Bond principal payments are due in annual installments each October 1 beginning in 2005 with final maturity in 2012. Interest payments are due semi-annually each April 1 and October 1 with rates ranging from 2.00% to 3.75%. The Water Reclamation net revenues are pledged as security for the bonds. The outstanding balance of this bond in the amount of \$215,000 was paid off during the fiscal year.

State Revolving Fund Loan

On September 15, 1999, the Town contracted with the State Water Resources Control Board ("SWRCB") to borrow \$8,777,801 in the form of grants from the State Revolving Fund (SRF) Loan Program. The loan was issued to help finance stages 2 and 3 of the Wastewater Treatment and Expansion project and is recorded in the Town's Water Reclamation Fund. Interest, which accrues at 2.0% per annum, and principal is payable in annual installments beginning in 2002 and continuing each year thereafter for 20 years.

Through the SRF program, the Town will draw funds on the loan on a reimbursement basis. The Town reserves the right to use another source of funding, and therefore, it is not obligated to repay the SWRCB until reimbursement requests are approved and the funds have been received. The Town is only

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

reimbursed for expenses directly or indirectly incurred as stated in the contract with SWRCB. As of June 30, 2013, the outstanding principal balance of the loan was \$4,635,184.

Safe Drinking Water State Revolving Fund (SDWSRF) Loan Payable

In July 2009, the Town was awarded funding under the Safe Drinking Water State Revolving Fund (“SDWSRF”) and the American Recovery and Reinvestment Act. The purpose of the funding is to assist in financing construction of a project which will enable the Town to meet safe drinking water standards. The total amount of the loan was \$1,154,888. Pursuant to the funding agreement, the State agreed to provide additional subsidization in the form of forgiveness of principal of 50%. The outstanding balance as of June 30, 2013 was \$568,608. The term of the loan is 20 years and the loan accrues interest at 2.5017%. Payments are due each March 1 and September 1.

Deferred Charges

Capitalized bond costs related to the Business-type long term liabilities have been recorded as deferred issuance costs in the amount of \$167,084 in the government-wide and fund financial statements. The balance is amortized using the straight line method over the bond terms which range from 17 to 20 years. Amortization expense for bond costs for the year ended June 30, 2013 was \$115,063.

Business-type Long-Term Liabilities Bond Amortization

General Obligation Bonds			
For the Year Ending June 30	Principal	Interest	Total
2014	\$ 7,000	\$ 1,900	\$ 8,900
2015	7,000	1,550	8,550
2016	8,000	1,200	9,200
2017	8,000	800	8,800
2018	8,000	400	8,400
Total	\$ 38,000	\$ 5,850	\$ 43,850

2012D Revenue Bonds			
For the Year Ending June 30	Principal	Interest	Total
2014	\$ 405,000	\$ 244,026	\$ 649,026
2015	415,000	235,826	650,826
2016	420,000	225,376	645,376
2017	435,000	212,550	647,550
2018	450,000	197,024	647,024
2019-2023	2,495,000	731,370	3,226,370
2024-2028	2,960,000	258,790	3,218,790
Total	\$ 7,580,000	\$ 2,104,962	\$ 9,684,962

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

State Revolving Fund Loan

For the Year Ending June 30	Principal	Interest	Total
2014	\$ 458,121	\$ 134,421	\$ 592,542
2015	471,407	121,135	592,542
2016	485,078	107,464	592,542
2017	499,145	93,397	592,542
2018	513,620	78,922	592,542
2019-2022	<u>2,207,813</u>	<u>162,354</u>	<u>2,370,167</u>
Total	<u>\$ 4,635,184</u>	<u>\$ 697,693</u>	<u>\$ 5,332,877</u>

SDWSRF Loan Payable

For the Year Ending June 30	Principal	Interest	Total
2014	\$ 24,511	\$ 14,072	\$ 38,583
2015	25,128	13,455	38,583
2016	25,760	12,823	38,583
2017	26,409	12,174	38,583
2018	27,073	11,510	38,583
2019-2023	145,940	46,976	192,916
2024-2028	165,257	27,659	192,916
2029-2033	<u>128,530</u>	<u>6,511</u>	<u>135,041</u>
Total	<u>\$ 568,608</u>	<u>\$ 145,180</u>	<u>\$ 713,788</u>

TOTAL BUSINESS TYPE ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2014	\$ 894,632	\$ 394,419	\$ 1,289,051
2015	918,535	371,966	1,290,501
2016	938,838	346,863	1,285,701
2017	968,554	318,921	1,287,475
2018	998,693	287,856	1,286,549
2019-2023	4,848,753	940,700	5,789,453
2024-2028	3,125,257	286,449	3,411,706
2029-2033	<u>128,530</u>	<u>6,511</u>	<u>135,041</u>
Total	<u>\$ 12,821,792</u>	<u>\$ 2,953,685</u>	<u>\$ 15,775,477</u>

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

C. Fiduciary Activities

Tax Allocation Bonds - Series 1998

On December 3, 1998 the former Agency issued \$4,480,000 of Tax Allocation bonds (Series 1998) to (1) finance acquisition and construction of a downtown park project in the Town of Windsor, (2) establish a reserve fund for the bonds, (3) capitalize a portion of the interest on the bonds, and (4) pay the cost of issuing the bonds. The bonds were issued at a discount of \$34,213 and issuance costs were \$195,180. Interest on the 1998 bonds is payable on September 1 and March 1 of each year through September 1, 2024, beginning on September 1, 2000. Interest rates on the bonds vary between 3.50 and 4.875 percent. The bonds are secured by a first pledge of and a lien on all of the pledged tax revenues. On January 31, 2012, this bond was transferred to the Successor Agency and is included in fiduciary activities as of June 30, 2012. The outstanding principal balance of the 1998 bonds at June 30, 2013 was \$960,000.

Tax Allocation Bonds - Series 2004

On October 7, 2004, the former Agency issued \$5,020,000 of Tax Allocation Bonds (Series 2004) to (1) finance acquisition and construction of certain activities in the project area, (2) refund the Agency's 1994 Tax Allocation Bonds in the amount of \$3,925,000, and (3) pay the cost of issuing the bonds. The bonds were issued at a discount of \$41,534, and issuance costs were \$159,518. Principal is payable on September 1 each year through 2024, beginning in 2005. Interest is payable on September 1 and March 1 of each year through September 2024. Interest rates on the bonds vary between 2.00 and 4.60 percent. The bonds are secured by a first pledge of and a lien on all the pledged tax revenues. On January 31, 2012, this bond was transferred to the Successor Agency and is included in fiduciary activities as of June 30, 2012. The outstanding principal balance of the 2004 bonds at June 30, 2013 was \$3,380,000.

CAL HFA Loans Payable

In January 2007, the Agency entered into a loan agreement with the California Housing Finance Agency ("Cal HFA") for \$1,300,000. Interest payable on the loan is 3.5% simple per annum and only charged on the loan amount disbursed. On January 31, 2012, this bond was transferred to the Successor Agency. As of June 30, 2012, the outstanding amount of the loan payable was \$1,300,000. Payment is deferred for the term of the loan which expires February 2017.

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

Fiduciary Activities Long-Term Liabilities Bond Amortization:

1998 Tax Allocation Bonds			
For the Year Ending June 30	Principal	Interest	Total
2014	\$ 175,000	\$ 41,788	\$ 216,788
2015	125,000	34,763	159,763
2016	125,000	28,763	153,763
2017	135,000	22,523	157,523
2018	140,000	15,743	155,743
2019-2023	220,000	24,075	244,075
2024-2025	40,000	1,950	41,950
Total	\$ 960,000	\$ 169,605	\$ 1,129,605

2004 Tax Allocation Bonds			
For the Year Ending June 30	Principal	Interest	Total
2014	\$ 230,000	\$ 135,745	\$ 365,745
2015	235,000	127,839	362,839
2016	245,000	119,375	364,375
2017	250,000	110,278	360,278
2018	260,000	100,585	360,585
2019-2023	1,470,000	325,440	1,795,440
2024-2026	690,000	31,275	721,275
Total	\$ 3,380,000	\$ 950,537	\$ 4,330,537

TOTAL FIDUCIARY ACTIVITIES			
For the Year Ending June 30	Principal	Interest	Total
2014	\$ 405,000	\$ 177,533	\$ 582,533
2015	360,000	162,602	522,602
2016	370,000	148,138	518,138
2017	385,000	132,801	517,801
2018	400,000	116,328	516,328
2019-2023	1,690,000	349,515	2,039,515
2024-2026	730,000	33,225	763,225
Total	\$ 4,340,000	\$ 1,120,142	\$ 5,460,142

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

NOTE 8: SPECIAL ASSESSMENT DISTRICTS

On September 29, 2004, the Town of Windsor issued \$5,210,000 of Limited Obligation Improvement Bonds for the Mitchell/Shiloh/Conde Assessment District. These bonds have been issued pursuant to the provisions of the Improvement Bond Acts of 1915. The bonds are issued and secured by the unpaid special assessments levied on parcels within the District. The proceeds are to be used to finance a portion of the cost and expense of roadway improvements and related appurtenant work. Neither the full faith and credit nor the taxing power of the Town is pledged to the payment of the bonds. Consequently, the Town has no liability to advance funds to pay bond principals and interest. As of June 30, 2013, the outstanding principal amount of the bonds was \$ 4,140,000. The bonds mature in September 2034.

NOTE 9: OPERATING LEASES

The Town has commitments to lease certain office equipment. The total rent expense as of June 30, 2013 was \$33,924. Future minimum rental commitments for equipment operating leases as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 15,168
2015	10,560
2016	1,344
2017	<u>1,344</u>
Total	<u>\$ 28,416</u>

NOTE 10: TOWN EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The Town of Windsor contributes to the California Public Employees Retirement System (“PERS”), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for the participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7.0% of their annual covered salary, of which 4% is paid for by the Town. The Town is required to contribute an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2013 was 12.625% and was based on a lump sum prepayment to PERS for miscellaneous employees. Benefit provisions and all other requirements are established by State statute and Town contracts with employee bargaining groups.

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

Annual Pension Cost

For the fiscal year ended June 30, 2013, the Town's annual pension cost (employer contribution) of \$948,477 for miscellaneous employees was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). The PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability.

Three Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 795,843	100%	-
2012	\$ 967,697	100%	-
2013	\$ 948,477	100%	-

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

In addition, the Town paid off its side fund of \$1,813,795 during the fiscal year.

NOTE 11: OTHER POST EMPLOYMENT BENEFITS (OPEB)

This note includes the information required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Description of the Plan

The Town sponsors and administers a single-employer health care plan for its employees. The plan includes healthcare coverage to long-service retirees and their spouses. At retirement, Town employees can elect Blue Cross or Kaiser medical coverage through the Town at their own expense. Retiree medical benefits continue to their surviving spouse if the retiree covers the spouse, and the spouse continues to pay the premium. In addition, the Town provides healthcare benefits to two former Water District board members as other post employment benefits (“OPEB”) under two different arrangements. One agreement provides for payment of the retiree's premium under the Town's plan up to \$350 per month. The second arrangement pays Medicare B premiums for the retiree and spouse up to a total of \$350 per month.

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

For the year ended June 30, 2013, the Town had 13 retired employees. The Town currently has 85 active employees who may become eligible to retire and receive benefits in the future. Eligibility requirements include service retirement (50 and 5 years CalPERS service) or disability retirement directly from the Town under CalPERS, and ten years of Town service.

Funding Policy

Other than the two former Water District board members mentioned above, the Town does not provide funding for retirees; retirees are provided the option to obtain Blue Cross or Kaiser health insurance through the Town's current policy at their own expense. This is referred to as an "implicit subsidy." With an implicit subsidy, participating retirees pay lower rates than actual costs. The difference is made up from active employee premiums. There is no implied subsidy after age 65 as all retirees are assumed eligible for Medicare. As of June 30, 2013, the Town is currently funding the benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2013, the Town's annual cost for the healthcare plan was \$56,000. The Town's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2013 were as follows:

Annual required contribution	
Service cost	\$ 40,000
30-year amortization of unfunded liability	25,000
Interest	7,000
Amortization of net OPEB obligation	<u>(16,000)</u>
Total annual required contribution	56,000
Employer contributions	(23,000)
Net pension obligation at July 1, 2012	<u>193,000</u>
Net pension obligation at June 30, 2013	<u><u>\$ 226,000</u></u>

Year Ended	Annual OPEB cost	Annual Employer Contribution	Percentage Contributed	Net Ending OPEB
6/30/2011	\$ 76,233	\$ 65,402	86%	\$ 116,831
6/30/2012	\$ 99,169	\$ 23,000	23%	\$ 193,000
6/30/2013	\$ 56,000	\$ 23,000	41%	\$ 226,000

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

Actuarial Methods and Assumptions

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

In the 2012 actuarial valuation, the entry age normal cost method was used. The initial UAAL was amortized as a level percent of payroll over a closed 27-year period, with gains/losses and assumption changes over closed 15 year periods. Age-based claim costs were developed separately for Blue Cross and Kaiser. The actuarial assumptions included a 4.0% discount rate, a 3.25% merit increase, and a 3.0% inflation rate. Predictive retirement age was 59.4 and benefits were calculated at 2% @ 55. Mortality, withdrawal, and disability were based on a CalPERS 1997-2007 experience study.

NOTE 12: FUND BALANCE

The Town has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The Town Council is considered the highest authority for the Town and can commit funds through resolutions.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Town Council has the authority to assign funds in Windsor and can assign funds through the budgetary process.

Unassigned: This category is for any balances that have no restrictions placed upon them.

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

Spending Policy

The Town's policy is to spend restricted fund balances first, before spending unrestricted fund balances, for expenditures incurred for purposes for which both restricted and unrestricted fund balances are available. The Town does not have a formal policy for its use of unrestricted fund balance amounts. The Town will reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

According to the Town Council's fiscal management policy, the required minimum general fund balance is equal to 25% of annual expenditures and transfers out. At June 30, 2013, the amount is \$3,926,668, included in the unassigned balance.

Investment Earnings

Investment earnings follow the classification of the revenues invested.

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

Fund balances classifications at June 30, 2013 were:

	General Fund	Capital Replacement Fund	Housing Fund	Other Governmental Funds	Total
Nonspendable:					
Advances to other funds	\$ 400,000	\$ -	\$ -	\$ 1,100,000	\$ 1,500,000
Prepaid expenses	13,686	-	-	1,069	14,755
Inventory	54,574	-	-	100,053	154,627
Total nonspendable:	468,260	-	-	1,201,122	1,669,382
Restricted:					
Strong motion	6,130	-	-	-	6,130
Replacing oak trees	19,025	-	-	-	19,025
Pool creek maintenance	8,674	-	-	-	8,674
Housing	-	-	377,087	-	377,087
Gas tax	-	-	-	837,466	837,466
Mobile home rent stabilization	-	-	-	43,897	43,897
Lighting and landscape	-	-	-	26,289	26,289
Storm drain maintenance	-	-	-	169,035	169,035
Abandoned vehicle abatement	-	-	-	63,399	63,399
Public education	-	-	-	157,500	157,500
Total Restricted:	33,829	-	377,087	1,297,586	1,708,502
Committed:					
PAYS Program	-	4,000,000	-	-	4,000,000
Total nonspendable:	-	4,000,000	-	-	4,000,000
Assigned:					
Capital projects	100,000	5,584,640	-	-	5,684,640
Asset forfeiture	36,221	-	-	-	36,221
Strong motion	53	-	-	-	53
Replacing oak trees	31,399	-	-	-	31,399
Mobile home rent stabilization	-	-	-	148	148
Lighting and landscape	-	-	-	216,183	216,183
Storm drain maintenance	-	-	-	951	951
Abandoned vehicle abatement	-	-	-	184	184
Public education	-	-	-	370	370
Public facilities	-	-	-	731,260	731,260
Park development	-	-	-	718,842	718,842
Traffic mitigation projects	-	-	-	640,835	640,835
Drainage mitigation	-	-	-	2,731,440	2,731,440
Fire mitigation	-	-	-	495,609	495,609
Debt service	-	-	-	2,816,028	2,816,028
Total Assigned:	167,673	5,584,640	-	8,351,850	14,104,163
Unassigned:	8,922,143	-	-	(155,279)	8,766,864
	\$ 9,591,905	\$ 9,584,640	\$ 377,087	\$ 10,695,279	\$ 30,248,911

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

NOTE 13: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Redwood Empire Municipal Insurance Fund (“REMIF”). REMIF provides insurance coverage for general liability, property, and workers' compensation claims under the terms of a joint-powers agreement with the Town and several other governmental municipalities. REMIF is governed by a Board of Directors consisting of representatives from the original seven agencies, plus two alternative agency voting members. Windsor is not currently a voting member.

REMIF is self-insured up to \$500,000 per general liability and \$25,000 per property claim and has purchased excess of loss insurance policies providing coverage above the self-insurance limit to a maximum of \$40,000,000. REMIF is self-insured up to \$1,000,000 per workers' compensation claim and has purchased a commercial policy providing statutory benefits in excess of the self-insured limit. The Town has a \$5,000 - \$10,000 deductible per claim for general liability, property and workers' compensation cases. When the deductible is met, the fund becomes responsible for payment of the excess claim.

As of the report date, the financial information for REMIF for the fiscal year ended June 30, 2013 was not available. Audited condensed financial information for REMIF for the fiscal year ended June 30, 2012 was as follows:

Total Assets	\$	18,010,735
Total Liabilities		<u>14,429,297</u>
Net Position	\$	<u>3,581,438</u>
Total Revenues	\$	8,854,620
Total Expenses		<u>8,805,881</u>
Change in Net Position	\$	<u>48,739</u>

The Town maintains its general liability, property, and workers' compensation insurance costs in the Risk Management Fund, an internal service fund. Payments for insurance claims were recorded as expenditures in the funds in which the liabilities were incurred. In accordance with Governmental Accounting Standards Board Statement No. 10, if the third party administrator, Redwood Empire Municipal Insurance Fund, does not insure the loss occurrence then the Town shall accrue a loss, if probable and reasonably estimable. As of June 30, 2013, the Town has no uninsured occurrences. The Town has not used an actuary in determining the liability reserve if needed. Because the actual claim liabilities depend on such complex factors and inflation and changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims are evaluated periodically to take into account recently settled claims, the frequency of claims and other economic and social factors.

NOTE 14: CONDUIT DEBT OBLIGATION

On August 1, 1995, the Town issued \$4,315,000 in Limited Obligation Bonds to provide financing to LV1 Partners for the development of a 75-unit senior assisted living apartment complex and related facilities. Debt service for the bonds will be paid solely out of the revenues and receipts derived from the project. The bonds do not constitute a debt or pledge of the faith and credit of the Town, and accordingly, will not be reported in the Town's basic financial statements. Credit support is provided by Fannie Mae. At June 30, 2013, the principal balance of the bonds was \$4,015,000.

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

NOTE 15: DEFICIT FUND BALANCES

As of June 30, 2013, the Transportation Grant Fund and Community Development Block Grant Fund had deficit balances of \$93,008 and \$62,271, respectively. These deficits will be financed through future revenues of the funds.

NOTE 16: CONTINGENCIES AND COMMITMENTS

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Town is involved in several pending lawsuits of a nature common to many similar jurisdictions. Town management estimates that potential claims against the Town, not covered by insurance, will not have a material adverse effect on the financial statements of the Town.

Proposition 218, which was approved by the voters in November 1996, regulates the Town's ability to impose, increase and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the Town's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

NOTE 17: PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$4,930,012 was recorded to the government-wide and successor agency financial statements, increasing the Town's net position and decreasing the Successor Agency's net position by the amount. This adjustment was to correct the presentation of capital assets that are owned by the Town but recorded by the Successor Agency (previously by the Redevelopment Agency) in the previous year.

NOTE 18: EXCESS OF EXPENDITURES OVER FUND APPROPRIATIONS

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
General administration	\$ 2,055,569	\$ 2,118,573	\$ (63,004)
Public safety	6,151,796	6,224,127	(72,331)
Community development	3,074,334	3,288,515	(214,181)

The excess expenditures for fiscal 2013 were funded by available financial resources.

NOTE 19: SUBSEQUENT EVENTS

The Town has evaluated subsequent events from June 30, 2013 through February 5, 2014, the date the accompanying financial statements were available to be issued, and does not believe there are any material subsequent events to report.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINDSOR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2012-2013		2013 Actual	Variance with
	Budgeted Amounts			
	Original	Final	Amounts	Positive
				(Negative)
<u>REVENUES</u>				
Property taxes	\$ 3,311,500	\$ 3,468,500	\$ 5,195,363	\$ 1,726,863
Sales taxes	2,242,800	2,302,200	3,638,026	1,335,826
Other taxes	4,657,400	4,746,000	4,135,270	(610,730)
Licenses, permits and fees	641,700	641,700	474,928	(166,772)
Fines and forfeitures	35,000	35,000	76,844	41,844
Rental income	43,800	43,800	94,044	50,244
Investment earnings	90,400	90,400	(115,900)	(206,300)
Intergovernmental	100,200	100,200	118,453	18,253
Charges for services	617,120	617,120	688,567	71,447
Other revenues	107,745	107,745	284,954	177,209
Total Revenues	<u>11,847,665</u>	<u>12,152,665</u>	<u>14,590,549</u>	<u>2,437,884</u>
<u>EXPENDITURES</u>				
General administration	1,251,316	2,055,569	2,118,573	(63,004)
Public safety	6,151,796	6,151,796	6,224,127	(72,331)
Public works	781,872	1,626,791	797,598	829,193
Community development	2,996,563	3,074,334	3,288,515	(214,181)
Capital outlay	828,976	2,490,906	2,122,340	368,566
Total Expenditures	<u>12,010,523</u>	<u>15,399,396</u>	<u>14,551,153</u>	<u>848,243</u>
Excess of revenues over expenditures	<u>(162,858)</u>	<u>(3,246,731)</u>	<u>39,396</u>	<u>3,286,127</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	123,969	100,620	965,976	865,356
Transfers out	(1,492,179)	(1,424,536)	(1,155,519)	269,017
Total other financing sources (uses)	<u>(1,368,210)</u>	<u>(1,323,916)</u>	<u>(189,543)</u>	<u>1,134,373</u>
Net change in fund balance	<u>\$ (1,531,068)</u>	<u>\$ (4,570,647)</u>	<u>(150,147)</u>	<u>\$ 4,420,500</u>
Fund balance - July 1, 2012			<u>9,640,550</u>	
Fund balance - June 30, 2013			<u>\$ 9,490,403</u>	

TOWN OF WINDSOR
CAPITAL REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2012-2013		2013 Actual	Variance with
	Budgeted Amounts			
	Original	Final	Amounts	Positive
				(Negative)
<u>REVENUES</u>				
Investment earnings	\$ 106,324	\$ 106,324	\$ 885	\$ (105,439)
Total Revenues	<u>106,324</u>	<u>106,324</u>	<u>885</u>	<u>(105,439)</u>
<u>EXPENDITURES</u>				
General administration	-	1,813,795	-	1,813,795
Capital outlay	302,000	404,150	345,613	58,537
Total Expenditures	<u>302,000</u>	<u>2,217,945</u>	<u>345,613</u>	<u>1,872,332</u>
Excess of revenues over expenditures	<u>(195,676)</u>	<u>(2,111,621)</u>	<u>(344,728)</u>	<u>1,766,893</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	300,000	300,000	300,000	-
Transfers out	-	-	(598,700)	(598,700)
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>(298,700)</u>	<u>(598,700)</u>
Net change in fund balance	<u>\$ 104,324</u>	<u>\$ (1,811,621)</u>	<u>(643,428)</u>	<u>\$ 1,168,193</u>
Fund balance - July 1, 2012			<u>10,228,068</u>	
Fund balance - June 30, 2013			<u>\$ 9,584,640</u>	

**TOWN OF WINDSOR
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR CaPERS PENSION PLAN

Schedule of Funding Progress for PERS
(Risk Pool as a Whole)

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/09**	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.9%	\$ 742,981,488	46.6%
6/30/10**	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
6/30/11**	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
6/30/12**	\$ 4,175,139,166	\$ 3,686,598,343	\$ 488,540,823	88.3%	\$ 757,045,663	64.5%
6/30/13**			** Information not available **			

* UAAL - Unfunded actuarial accrued liability

** State Law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members of the Town of Windsor is not required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

**TOWN OF WINDSOR
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/09	\$ 446,000	\$ -	\$ 446,000	0%	\$ 6,817,000	7%
6/30/12	\$ 507,000	\$ -	\$ 507,000	0%	\$ 6,474,000	8%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Town is required to update the valuation every three years. Because 2009 was the year of implementation of GASB Statement No. 45 and the Town elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented.

SUPPLEMENTARY INFORMATION

GENERAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column General Funds.

GENERAL FUNDS

General Fund

This fund is used to account for revenues for the Town's general use.

Asset Forfeiture Fund

This fund is used to account for asset forfeiture revenue received from other government entities.

Strong Motion Fund

This fund is used to account for building permits for seismic education and data utilization.

Grant Special Revenue Fund (Police Grants)

This fund is used to account for grant special revenue and investment income for the Town.

Tree Removal Mitigation Fund

This fund is used to account for developer fees for maintenance and replacement of trees.

Pool Creek Maintenance Fund

This fund is used to account for funds established for the maintenance of Pool Creek at the Greens subdivision.

TOWN OF WINDSOR
GENERAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	General Fund	Asset Forfeiture	Grant Special Revenue Fund - Police	Strong Motion	Tree Removal Mitigation	Pool Creek Maintenance	Total General Funds
<u>ASSETS</u>							
Cash and cash equivalents	\$ 81,697	\$ 35,885	\$ -	\$ 6,917	\$ 45,745	\$ 6,231	\$ 176,475
Investments	9,246,606	320	-	36	4,671	2,439	9,254,072
Accounts receivable	1,201,722	-	-	-	-	-	1,201,722
Interest receivable	4,270	16	-	3	8	4	4,301
Advances to other funds	400,000	-	-	-	-	-	400,000
Prepaid expenses	13,686	-	-	-	-	-	13,686
Inventory	54,574	-	-	-	-	-	54,574
Total Assets	\$ 11,002,555	\$ 36,221	\$ -	\$ 6,956	\$ 50,424	\$ 8,674	\$ 11,104,830
<u>LIABILITIES AND FUND BALANCES</u>							
<u>(DEFICITS)</u>							
LIABILITIES							
Accounts payable	\$ 1,197,995	\$ -	\$ -	\$ 773	\$ -	\$ -	\$ 1,198,768
Accrued liabilities	157,608	-	-	-	-	-	157,608
Deferred revenue	113,973	-	-	-	-	-	113,973
Deposits Payable	42,576	-	-	-	-	-	42,576
Total Liabilities	1,512,152	-	-	773	-	-	1,512,925
FUND BALANCES (DEFICITS)							
Nonspendable	468,260	-	-	-	-	-	468,260
Restricted	-	-	-	6,130	19,025	8,674	33,829
Assigned	100,000	36,221	-	53	31,399	-	167,673
Unassigned	8,922,143	-	-	-	-	-	8,922,143
Total Fund Balances (Deficits)	9,490,403	36,221	-	6,183	50,424	8,674	9,591,905
Total Liabilities and Fund Balances (Deficits)	\$ 11,002,555	\$ 36,221	\$ -	\$ 6,956	\$ 50,424	\$ 8,674	\$ 11,104,830

TOWN OF WINDSOR
GENERAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Asset Forfeiture	Grant Special Revenue Fund - Police	Strong Motion	Tree Removal Mitigation	Pool Creek Maintenance	Total General Funds
<u>REVENUES</u>							
Property taxes	\$ 5,195,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,195,363
Sales taxes	3,638,026	-	-	-	-	-	3,638,026
Other taxes	4,135,270	-	-	-	-	-	4,135,270
Licenses, permits and fees	474,928	-	-	-	31,370	-	506,298
Fines and forfeitures	76,844	-	-	-	-	-	76,844
Rental Income	94,044	-	-	-	-	-	94,044
Investment earnings	(115,900)	87	194	53	29	4	(115,533)
Intergovernmental	118,453	(12)	-	77	-	-	118,518
Charges for services	688,567	-	-	-	-	-	688,567
Other revenue	284,954	-	-	-	-	-	284,954
Total Revenues	<u>\$ 14,590,549</u>	<u>\$ 75</u>	<u>\$ 194</u>	<u>\$ 130</u>	<u>\$ 31,399</u>	<u>\$ 4</u>	<u>\$ 14,622,351</u>
<u>EXPENDITURES</u>							
General administration	\$ 2,118,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,118,573
Public safety	6,224,127	-	-	-	-	-	6,224,127
Public works	797,598	-	-	-	-	-	797,598
Community development	3,288,515	-	-	-	-	-	3,288,515
Capital outlay	2,122,340	-	-	-	-	-	2,122,340
Total Expenditures	<u>14,551,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,551,153</u>
Excess (deficiency) of revenues over expenditures	<u>39,396</u>	<u>75</u>	<u>194</u>	<u>130</u>	<u>31,399</u>	<u>4</u>	<u>71,198</u>
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	965,976	-	-	-	-	-	965,976
Transfers out	(1,155,519)	-	(227,967)	-	-	-	(1,383,486)
Total other financing sources (uses)	<u>(189,543)</u>	<u>-</u>	<u>(227,967)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(417,510)</u>
Net change in fund balance	(150,147)	75	(227,773)	130	31,399	4	(346,312)
Fund balances (deficits) - July 1, 2012	9,640,550	36,146	227,773	6,053	19,025	8,670	9,938,217
Fund balances (deficits) - June 30, 2013	<u>\$ 9,490,403</u>	<u>\$ 36,221</u>	<u>\$ -</u>	<u>\$ 6,183</u>	<u>\$ 50,424</u>	<u>\$ 8,674</u>	<u>\$ 9,591,905</u>

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

Gas Tax Fund

This fund is used to account for State revenue received pursuant to Street and Highway Code Sections 2105, 2106, 2107, and 2107.5 to fund maintenance and construction of streets and roads not funded through another source.

Transportation Grant Fund

This fund is used to track grant funds from various sources for transportation, pedestrian and bicycle improvements. Matching participation funds may come from a variety of sources including the General Fund, Gas Tax, and Measure M.

Transportation Development Act Fund

This fund is used to account for the Town's contribution to Sonoma County Transit including local services, bus stop improvements, and other projects.

Mobile Home Rent Stabilization Fund

This fund is used to account for park owner fees for administration of the Mobile Home Rent Stabilization Ordinance.

Lighting and Landscaping Assessment Fund

This fund is used to account for assessment fees to repair and maintain lighting and landscaping including Shadetree Oak-Tree and Senior Center maintenance.

Lighting and Landscaping Assessment Fund No.2

This fund is used to account for assessment fees to operate and maintain lighting and landscaping for the Shiloh Oaks development and a new general park supplemental zone.

1982 Benefits Assessment District Fund

This fund is used to account for costs associated with the operation and maintenance of the storm drain and flood control facilities (Airport Creek) constructed with the Shiloh Oaks development.

Abandoned Vehicle Abatement Fund

This fund is used to account for the fees related to the removal and disposal of abandoned, wrecked, dismantled, or inoperative vehicles.

Public Education and Government Grant Fund

This fund is used to account for cable subscription fees funded in order to provide public, educational, and government access to the Town.

Community Development Block Grant Fund

This fund is used to account for federal revenue from the Community Development Block Grant.

Public Facilities Fund

This fund is used to account for public facilities impact fees for acquisition, development, and enhancement of Town facilities.

Traffic Mitigation Fund - This fund is used to account for developer fees for the construction and implementation of improvements to the transportation system sufficient to accommodate the traffic volumes generated from new development.

CAPITAL PROJECT FUNDS

Park Development

This fund is used to account for developer fees for the acquisition, development, and enhancement of neighborhood and community park and recreation facilities.

Drainage Mitigation

This fund is used to account for the construction of drainage facilities to mitigate cumulative drainage impacts arising from new developments.

Fire Mitigation

This fund is used to account for the fire impact fees which were established to mitigate the impact caused by future development in the Town.

DEBT SERVICE FUNDS

Debt Service

This fund is used to account for the debt service activities related to the Town.

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Lighting and Landscape Assessment #2
<u>ASSETS</u>						
Cash and cash equivalents	\$ 966,543	\$ -	\$ -	\$ 31,994	\$ 182,745	\$ 29,773
Investments	810	812	-	12,158	268,657	-
Accounts receivable	18,767	416,728	-	-	32,178	15
Interest receivable	428	(62)	-	20	232	14
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Inventory	100,053	-	-	-	-	-
Total Assets	\$ 1,086,601	\$ 417,478	\$ -	\$ 44,172	\$ 483,812	\$ 29,802
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>						
LIABILITIES						
Accounts payable	\$ 42,383	\$ 143,186	\$ -	\$ 127	\$ 128,753	\$ 1,271
Accrued liabilities	16,161	-	-	-	21,526	356
Deferred revenue	-	367,300	-	-	-	-
Advanced from other funds	-	-	-	-	-	-
Due to other funds	90,538	-	-	-	117,350	1,886
Total Liabilities	149,082	510,486	-	127	267,629	3,513
FUND BALANCES (DEFICITS)						
Nonspendable	100,053	-	-	-	-	-
Restricted	837,466	-	-	43,897	-	26,289
Assigned	-	-	-	148	216,183	-
Unassigned	-	(93,008)	-	-	-	-
Total Fund Balances (Deficits)	937,519	(93,008)	-	44,045	216,183	26,289
Total Liabilities and Fund Balances (Deficits)	\$ 1,086,601	\$ 417,478	\$ -	\$ 44,172	\$ 483,812	\$ 29,802

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	1982 Benefits Assessment District	Abandoned Vehicle Abatement	Public Education and Government Grant	Community Development Block Grant	Public Facilities
<u>ASSETS</u>					
Cash and cash equivalents	\$ 170,844	\$ 63,604	\$ 127,608	\$ -	\$ 730,935
Investments	-	2	14,892	295	-
Accounts receivable	-	28	18,297	62,647	-
Interest receivable	77	-	63	(28)	325
Advances to other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	\$ 170,921	\$ 63,634	\$ 160,860	\$ 62,914	\$ 731,260
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 935	\$ 51	\$ 1,528	\$ 56,576	\$ -
Accrued liabilities	-	-	612	5,962	-
Deferred revenue	-	-	-	62,647	-
Advanced from other funds	-	-	-	-	-
Due to other funds	-	-	850	-	-
Total Liabilities	935	51	2,990	125,185	-
<u>FUND BALANCES (DEFICITS)</u>					
Nonspendable	-	-	-	-	-
Restricted	169,035	63,399	157,500	-	-
Assigned	951	184	370	-	731,260
Unassigned	-	-	-	(62,271)	-
Total Fund Balances (Deficits)	169,986	63,583	157,870	(62,271)	731,260
Total Liabilities and Fund Balances (Deficits)	\$ 170,921	\$ 63,634	\$ 160,860	\$ 62,914	\$ 731,260

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	Traffic Mitigation Fund	Park Development	Drainage Mitigation	Fire Mitigation	Debt Service	Total Non-major Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 889,501	\$ 725,790	\$ 2,569,311	\$ 495,358	\$ 2,579,935	\$ 9,563,941
Investments	870,791	73	208,254	32	234,846	1,611,622
Accounts receivable	-	-	-	-	-	548,660
Interest receivable	785	321	1,231	219	1,247	4,872
Advances to other funds	-	-	1,100,000	-	-	1,100,000
Prepaid expenses	-	-	-	-	1,069	1,069
Inventory	-	-	-	-	-	100,053
Total Assets	\$ 1,761,077	\$ 726,184	\$ 3,878,796	\$ 495,609	\$ 2,817,097	\$ 12,930,217
<u>LIABILITIES AND FUND BALANCES</u>						
<u>(DEFICITS)</u>						
LIABILITIES						
Accounts payable	\$ 164	\$ 406	\$ 5,891	\$ -	\$ -	\$ 381,271
Accrued liabilities	2,569	1,039	5,354	-	-	53,579
Deferred revenue	-	-	-	-	-	429,947
Advanced from other funds	1,100,000	-	-	-	-	1,100,000
Due to other funds	17,509	5,897	36,111	-	-	270,141
Total Liabilities	1,120,242	7,342	47,356	-	-	2,234,938
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	1,100,000	-	1,069	1,201,122
Restricted	-	-	-	-	-	1,297,586
Assigned	640,835	718,842	2,731,440	495,609	2,816,028	8,351,850
Unassigned	-	-	-	-	-	(155,279)
Total Fund Balances (Deficits)	640,835	718,842	3,831,440	495,609	2,817,097	10,695,279
Total Liabilities and Fund Balances (Deficits)	\$ 1,761,077	\$ 726,184	\$ 3,878,796	\$ 495,609	\$ 2,817,097	\$ 12,930,217

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Lighting and Landscape Assessment #2
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 14,370	\$ -
Other taxes	-	-	-	-	874,036	36,755
Licenses, permits and fees	-	-	-	13,512	-	-
Rental income	-	-	-	-	-	-
Investment earnings (loss)	4,989	1,841	-	148	(82,667)	(1,488)
Intergovernmental	664,735	497,996	966,613	-	-	-
Charges for services	-	-	-	-	-	-
Other revenue	19,356	-	-	-	3,700	-
Total Revenues	<u>689,080</u>	<u>499,837</u>	<u>966,613</u>	<u>13,660</u>	<u>809,439</u>	<u>35,267</u>
EXPENDITURES						
General administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	795,062	-
Community development	-	-	-	-	127,188	40,276
Streets and Roads	898,070	-	966,613	-	-	-
Drainage	-	-	-	-	-	-
Housing	-	-	-	326	-	-
Capital outlay	-	903,029	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>898,070</u>	<u>903,029</u>	<u>966,613</u>	<u>326</u>	<u>1,915,623</u>	<u>40,276</u>
Excess (deficiency) of revenues over expenditures	<u>(208,990)</u>	<u>(403,192)</u>	<u>-</u>	<u>13,334</u>	<u>(1,106,184)</u>	<u>(5,009)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	690,063	-
Transfers out	-	-	(38,689)	-	(7,249)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(38,689)</u>	<u>-</u>	<u>682,814</u>	<u>-</u>
Net change in fund balance	(208,990)	(403,192)	(38,689)	13,334	(423,370)	(5,009)
Fund balances (deficits) - July 1, 2012	1,146,509	310,184	38,689	30,711	639,553	31,298
Fund balances (deficits) - June 30, 2013	<u>\$ 937,519</u>	<u>\$ (93,008)</u>	<u>\$ -</u>	<u>\$ 44,045</u>	<u>\$ 216,183</u>	<u>\$ 26,289</u>

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	1982 Benefits Assessment District	Abandoned Vehicle Abatement	Public Education and Government Grant	Community Development Block Grant	Public Facilities
<u>REVENUES</u>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	2,062	-	-	-	-
Licenses, permits and fees	47,589	-	-	-	-
Rental income	-	-	-	-	-
Investment earnings (loss)	(1,111)	184	370	375	(1,759)
Intergovernmental	-	21,450	65,247	42,533	-
Charges for services	-	-	-	-	103,478
Other revenue	-	-	-	-	-
Total Revenues	<u>48,540</u>	<u>21,634</u>	<u>65,617</u>	<u>42,908</u>	<u>101,719</u>
<u>EXPENDITURES</u>					
General administration	-	-	36,641	-	7,048
Public safety	-	4,431	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Streets and Roads	22,294	-	-	-	-
Drainage	-	-	-	-	-
Housing	-	-	-	-	-
Capital outlay	-	-	-	88,296	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>22,294</u>	<u>4,431</u>	<u>36,641</u>	<u>88,296</u>	<u>7,048</u>
Excess (deficiency) of revenues over expenditures	<u>26,246</u>	<u>17,203</u>	<u>28,976</u>	<u>(45,388)</u>	<u>94,671</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	116,989	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,989</u>	<u>-</u>
Net change in fund balance	26,246	17,203	28,976	71,601	94,671
Fund balances (deficits) - July 1, 2012	143,740	46,380	128,894	(133,872)	636,589
Fund balances (deficits) - June 30, 2013	<u>\$ 169,986</u>	<u>\$ 63,583</u>	<u>\$ 157,870</u>	<u>\$ (62,271)</u>	<u>\$ 731,260</u>

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Traffic Mitigation Fund	Park Development	Drainage Mitigation	Fire Mitigation	Debt Service	Total Non-major Governmental Funds
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,370
Other taxes	-	-	-	-	-	912,853
Licenses, permits and fees	-	-	-	21,943	-	83,044
Rental income	-	1	-	-	-	1
Investment earnings (loss)	(1,029)	(1,885)	(6,906)	1,198	9,742	(77,998)
Intergovernmental	-	-	-	-	-	2,258,574
Charges for services	289,660	276,845	169,918	-	-	839,901
Other revenue	-	-	-	-	-	23,056
Total Revenues	288,631	274,961	163,012	23,141	9,742	4,053,801
EXPENDITURES						
General administration	-	-	-	-	-	43,689
Public safety	-	-	-	-	-	4,431
Public works	-	-	-	-	-	795,062
Community development	-	35,701	-	-	-	203,165
Streets and Roads	117,463	-	-	-	-	2,004,440
Drainage	-	-	371,162	-	-	371,162
Housing	-	-	-	-	-	326
Capital outlay	9,880	11,493	1,799,783	-	-	2,812,481
Debt service:						
Principal	-	-	-	-	1,007,100	1,007,100
Interest	-	-	-	-	414,774	414,774
Total Expenditures	127,343	47,194	2,170,945	-	1,421,874	8,650,003
Excess (deficiency) of revenues over expenditures	161,288	227,767	(2,007,933)	23,141	(1,412,132)	(4,596,202)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	968,221	1,775,273
Transfers out	-	-	-	-	-	(45,938)
Total other financing sources (uses)	-	-	-	-	968,221	1,729,335
Net change in fund balance	161,288	227,767	(2,007,933)	23,141	(443,911)	(2,866,867)
Fund balances (deficits) - July 1, 2012	479,547	491,075	5,839,373	472,468	3,261,008	13,562,146
Fund balances (deficits) - June 30, 2013	\$ 640,835	\$ 718,842	\$ 3,831,440	\$ 495,609	\$ 2,817,097	\$ 10,695,279

PROPRIETARY FUNDS

The specific proprietary funds used by the Town are as follows:

Water Reclamation Fund

This fund accounts for the operation and maintenance of the Town's wastewater collection system, the wastewater treatment facility, and the recycled waste disposal and distribution system.

Water Fund

This fund accounts for the operation and maintenance of the Town's water distribution system.

TOWN OF WINDSOR
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water Reclamation			Totals
	Operating	Capital Replacement	Capital	
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 4,451,536	\$ 5,439,760	\$ -	\$ 9,891,296
Investments	3,309,714	76,132	(21,599)	3,364,247
Accounts receivable	1,544,939	-	37,521	1,582,460
Interest receivable	3,416	2,437	(577)	5,276
Prepaid expenses	6,896	-	-	6,896
Inventory	2,698	-	-	2,698
Total Current Assets	9,319,199	5,518,329	15,345	14,852,873
Non-Current Assets				
Deferred issuance costs, net	83,742	-	-	83,742
Capital assets, net of accumulated depreciation	56,782,327	-	-	56,782,327
Total Non-Current Assets	56,866,069	-	-	56,866,069
Total Assets	66,185,268	5,518,329	15,345	71,718,942
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	505,330	14,386	1,230,901	1,750,617
Accrued liabilities	77,968	3,655	-	81,623
Accrued interest payable	779	-	120,003	120,782
Deposits payable	68,689	-	-	68,689
Due to other funds	456,410	18,775	-	475,185
Long term liabilities - current portion	7,000	-	660,621	667,621
Total Current Liabilities	1,116,176	36,816	2,011,525	3,164,517
Non-Current Liabilities				
Compensated absences	112,843	3,486	-	116,329
Loans payable	-	-	4,177,063	4,177,063
Bonds payable	106,800	-	3,511,700	3,618,500
Total Non-Current Liabilities	219,643	3,486	7,688,763	7,911,892
Total Liabilities	1,335,819	40,302	9,700,288	11,076,409
<u>NET POSITION:</u>				
Net investment in capital assets	56,668,527	-	(8,349,384)	48,319,143
Unrestricted	8,180,922	5,478,027	(1,335,559)	12,323,390
Total Net Position	\$ 64,849,449	\$ 5,478,027	\$ (9,684,943)	\$ 60,642,533

TOWN OF WINDSOR
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water			Totals
	Operating	Capital Replacement	Capital	
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 2,123,956	\$ 2,858,502	\$ 4,839,065	\$ 9,821,523
Investments	2,416,667	65,080	(38,592)	2,443,155
Accounts receivable	1,643,639	-	-	1,643,639
Interest receivable	2,043	1,293	2,140	5,476
Prepaid expenses	6,896	-	-	6,896
Inventory	58,634	-	-	58,634
Total Current Assets	6,251,835	2,924,875	4,802,613	13,979,323
Non-Current Assets				
Deferred issuance costs, net	83,342	-	-	83,342
Capital assets, net of accumulated depreciation	23,196,599	-	-	23,196,599
Total Non-Current Assets	23,279,941	-	-	23,279,941
Total Assets	29,531,776	2,924,875	4,802,613	37,259,264
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	443,875	18,107	4,683	466,665
Accrued liabilities	79,360	36,405	1,811	117,576
Accrued interest payable	620	2,371	32,760	35,751
Deposits payable	68,689	-	-	68,689
Due to other funds	452,925	8,485	8,359	469,769
Long term liabilities - current portion	-	-	202,500	202,500
Total Current Liabilities	1,045,469	65,368	250,113	1,360,950
Non-Current Liabilities				
Compensated absences	114,497	1,525	1,547	117,569
Loans payable	-	284,304	284,304	568,608
Bonds payable	75,800	-	3,511,700	3,587,500
Total Non-Current Liabilities	190,297	285,829	3,797,551	4,273,677
Total Liabilities	1,235,766	351,197	4,047,664	5,634,627
<u>NET POSITION:</u>				
Net investment in capital assets	23,120,799	(284,304)	(3,998,504)	18,837,991
Unrestricted	5,175,211	2,857,982	4,753,453	12,786,646
Total Net Position	\$ 28,296,010	\$ 2,573,678	\$ 754,949	\$ 31,624,637

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

	Water Reclamation			Totals
	Operating	Capital Replacement	Capital	
<u>OPERATING REVENUES</u>				
Charges for services, net of refunds	\$ 7,275,520	\$ -	\$ 417,635	\$ 7,693,155
Other revenue	227,948	-	-	227,948
Total Operating Revenue	7,503,468	-	417,635	7,921,103
<u>OPERATING EXPENSES</u>				
Salaries and benefits	2,966,641	107,993	-	3,074,634
Materials, supplies, and operational expenses	2,076,507	83,455	145,747	2,305,709
Repairs and maintenance	390,331	4,451	-	394,782
Insurance	156,800	-	-	156,800
Contractual services	1,483,607	305,100	-	1,788,707
Taxes and licenses	41,540	-	-	41,540
Utilities	583,586	-	-	583,586
Depreciation	2,071,209	-	-	2,071,209
Total Operating Expenses	9,770,221	500,999	145,747	10,416,967
Operating Income (Loss)	(2,266,753)	(500,999)	271,888	(2,495,864)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Amortization expense	(63,748)	-	-	(63,748)
Rental income	261,034	-	28,598	289,632
Grant revenue	-	-	75,000	75,000
Interest income	67,953	24,733	(39,465)	53,221
Interest expense	(238,706)	-	-	(238,706)
Loss on disposal of assets	(21,995)	-	-	(21,995)
Property taxes	3,055	-	-	3,055
Total Non-Operating Revenues (Expenses)	7,593	24,733	64,133	96,459
Income Before Contributions and Transfers	(2,259,160)	(476,266)	336,021	(2,399,405)
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Transfers in	-	1,600,000	-	1,600,000
Transfers out	(870,377)	(382,636)	(396,252)	(1,649,265)
Total Transfers and Capital Contributions	(870,377)	1,217,364	(396,252)	(49,265)
Change in net position	(3,129,537)	741,098	(60,231)	(2,448,670)
Total Net Position - July 1, 2012	67,978,986	4,736,929	(9,624,712)	63,091,203
Total Net Position - June 30, 2013	\$ 64,849,449	\$ 5,478,027	\$ (9,684,943)	\$ 60,642,533

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

	<u>Water</u>			<u>Totals</u>
	<u>Operating</u>	<u>Capital Replacement</u>	<u>Capital</u>	
<u>OPERATING REVENUES</u>				
Charges for services, net of refunds	\$ 6,605,760	\$ -	\$ 177,483	\$ 6,783,243
Other revenue	362,742	-	-	362,742
Total Operating Revenue	6,968,502	-	177,483	7,145,985
<u>OPERATING EXPENSES</u>				
Salaries and benefits	2,914,088	50,927	48,443	3,013,458
Materials, supplies, and operational expenses	2,245,005	123,561	-	2,368,566
Repairs and maintenance	394,650	-	-	394,650
Insurance	156,800	-	-	156,800
Contractual services	136,418	-	23,223	159,641
Taxes and licenses	784	-	-	784
Utilities	20,251	-	-	20,251
Depreciation	1,089,512	-	-	1,089,512
Total Operating Expenses	6,957,508	174,488	71,666	7,203,662
Operating Income (Loss)	10,994	(174,488)	105,817	(57,677)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Amortization expense	(51,315)	-	-	(51,315)
Grant revenue	109,810	118,041	-	227,851
Interest income	49,296	7,472	(37,448)	19,320
Interest expense	(110,307)	-	-	(110,307)
Loss on disposal of assets	(15,150)	-	-	(15,150)
Total Non-Operating Revenues (Expenses)	(17,666)	125,513	(37,448)	70,399
Income Before Contributions and Transfers	(6,672)	(48,975)	68,369	12,722
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Transfers in	1,571,065	750,000	-	2,321,065
Transfers out	(51,355)	(2,276,101)	(44,964)	(2,372,420)
Total Transfers and Capital Contributions	1,519,710	(1,526,101)	(44,964)	(51,355)
Change in net position	1,513,038	(1,575,076)	23,405	(38,633)
Total Net Position - July 1, 2012	26,782,972	4,148,754	731,544	31,663,270
Total Net Position - June 30, 2013	\$ 28,296,010	\$ 2,573,678	\$ 754,949	\$ 31,624,637

FIDUCIARY FUNDS

Agency Funds

Agency funds are fiduciary funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The specific agency funds used by the Town are shown below:

Bonita Roble Trust Fund

This fund is used to account for a deposit from a developer for interest to finance ongoing maintenance of Landscape Parcel "A".

Brooks Special Assessment District Fund

This fund is used to account for property assessment monies held by the County as trustee for the Town for payment of annual arbitrage calculations and fiscal agent fees for the Brooks Special Assessment District.

Mitchell Shiloh Conde Assessment District Fund

This fund is used to account for bond proceeds issued to finance roadway and sewer improvements of benefits to property in the Mitchell Shiloh Conde Assessment District.

In-Lieu Agency Fund

This fund is used to account for fees paid by developers in lieu of construction of improvements.

Performance Bond Fund

This fund is used to account for performance bonds held by the Town.

Golf Course Fund

This fund is used to account for capital improvements of facilities related to the Windsor Golf Course.

Miscellaneous Fund

This fund is used to account for contributions by interested groups for special work such as EIRs.

Private-Purpose Trust Funds

Private-purpose trust funds are fiduciary funds which are used to report all trust arrangements (other than pension and investment trust funds) under which principal and income benefit individuals, private organizations, or other governments. The specific private-purpose trust funds used by the Town are related to the Successor Agency of the former Windsor Redevelopment Agency:

RDA Capital Assets Fund

This fund is used to account for capital assets transferred from the former Agency.

RDA Debt Service Fund

This fund is used to account for bonds and loans payable transferred from the former Agency.

TOWN OF WINDSOR
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
SUCCESSOR AGENCY
JUNE 30, 2013

<u>ASSETS</u>	<u>Capital Assets</u>	<u>Debt Service</u>	<u>Totals</u>
Cash and cash equivalents	\$ 2,417,051	\$ -	\$ 2,417,051
Interest receivable	1,968	-	1,968
Prepaid assets	-	1,565	1,565
Restricted cash and cash equivalents	143,500	-	143,500
Deferred charges, net of accumulated amortization	382,768	-	382,768
	<hr/>	<hr/>	<hr/>
Total Assets	2,945,287	1,565	2,946,852
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts payable	333	70,104	70,437
Accrued liabilities	7,053	-	7,053
Advances from other funds	400,000	-	400,000
Interest payable	-	248,580	248,580
Long-term liabilities:			
Due within one year	-	405,000	405,000
Due in more than one year	-	5,235,000	5,235,000
	<hr/>	<hr/>	<hr/>
Total Liabilities	407,386	5,958,684	6,366,070
	<hr/>	<hr/>	<hr/>
<u>NET POSITION</u>			
Held in trust for other governments	2,537,901	(5,957,119)	(3,419,218)
	<hr/>	<hr/>	<hr/>
Total net position	\$ 2,537,901	\$(5,957,119)	\$ (3,419,218)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TOWN OF WINDSOR
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Capital Assets</u>	<u>Debt Service</u>	<u>Totals</u>
<u>ADDITIONS</u>			
Property taxes	\$ 1,381,136	\$ -	\$ 1,381,136
Investment earnings	13,595	54	13,649
Loan write-off	913,000	-	913,000
Transfers in	55,716	1,479,221	1,534,937
Total additions	<u>2,363,447</u>	<u>1,479,275</u>	<u>3,842,722</u>
<u>DEDUCTIONS</u>			
Interest expense	-	379,127	379,127
Community development	262,365	-	262,365
Amortization	34,278	-	34,278
Due diligence review expenses	9,175,447	-	9,175,447
Transfers out	1,479,221	968,221	2,447,442
Total deductions	<u>10,951,311</u>	<u>1,347,348</u>	<u>12,298,659</u>
Change in net position	<u>(8,587,864)</u>	<u>131,927</u>	<u>(8,455,937)</u>
Net assets held in trust - July 1, 2012	<u>16,055,777</u>	<u>(6,089,046)</u>	<u>9,966,731</u>
Prior period adjustment (Note 17)	<u>(4,930,012)</u>	<u>-</u>	<u>(4,930,012)</u>
Net position held in trust - July 1, 2012, restated	<u>11,125,765</u>	<u>(6,089,046)</u>	<u>5,036,719</u>
Net position held in trust - June 30, 2013	<u>\$ 2,537,901</u>	<u>\$ (5,957,119)</u>	<u>\$ (3,419,218)</u>

TOWN OF WINDSOR
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 JUNE 30, 2013

	<u>Bonita Roble Trust Fund</u>	<u>Brooks Special Assessment Construction Fund</u>	<u>Mitchell Shiloh Conde Assessment District</u>	<u>In-Lieu Agency Fund</u>	<u>Performance Bond Fund</u>	<u>Golf Course Fund</u>	<u>Miscellaneous Fund</u>	<u>Totals</u>
<u>ASSETS</u>								
Cash and cash equivalents	\$ 15,176	\$ 906	\$ 27,762	\$ 188,811	\$ 198,283	\$ 16,649	\$ 147,868	\$ 595,455
Investments	281	-	-	6,395	4,101	-	10	10,787
Interest receivable	7	-	208	-	-	7	-	222
Total Assets	<u>\$ 15,464</u>	<u>\$ 906</u>	<u>\$ 27,970</u>	<u>\$ 195,206</u>	<u>\$ 202,384</u>	<u>\$ 16,656</u>	<u>\$ 147,878</u>	<u>\$ 606,464</u>
<u>LIABILITIES</u>								
Accounts payable	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ 5,502	\$ 5,514
Deposits payable	15,464	-	-	178,530	202,384	16,656	140,326	553,360
Due to special assessment districts	-	906	27,958	16,676	-	-	2,050	47,590
Total Liabilities	<u>\$ 15,464</u>	<u>\$ 906</u>	<u>\$ 27,970</u>	<u>\$ 195,206</u>	<u>\$ 202,384</u>	<u>\$ 16,656</u>	<u>\$ 147,878</u>	<u>\$ 606,464</u>

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

To the Town Council
Town of Windsor, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Windsor, CA (the “Town”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

Compliance and Other Matters

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

The Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

OUM + Co. LLP

San Francisco, CA
February 5, 2014

SCHEDULE OF FINDINGS AND RESPONSES

2013-01: Title to Capital Assets

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition:

During the Town's analysis of capital assets held by the former Redevelopment Agency (RDA) and transferred to the Successor Agency, it was noted that certain capital assets totaling \$4,930,012 purchased by the former RDA in prior years were held in title by the Town, and not by the former RDA as originally recorded. A prior period adjustment of \$4,930,012 was recorded as a prior period adjustment in the current year, as described in Note 17 – Prior Period Adjustment, to reflect that such assets are owned by the Town and not the former RDA (Successor Agency).

Cause of Condition:

The Town/Agency lacks adequate controls and procedures for the performance of transactions involving the purchase of capital assets for redevelopment to ensure the capital assets are recorded by the entity which holds title to such property.

Effect of Condition:

As a result of the above, the Successor Agency's net position was overstated and the Town's government-wide net position was understated by \$4,930,012 as of June 20, 2012.

Recommendation:

We recommend the Town implement procedures for capital asset transactions to ensure proper recording of such assets. These procedures could include periodic inventory counts of capital assets and periodic title searches.

Management's Response:

We concur with the finding. The Administrative Services Director will prepare written instructions to be included as part of the Town's accounting policies manual that indicates proper recording of assets. These procedures will include periodic inventory counts of capital assets, with corresponding title searches.

2013-02: Lack of Supporting Documentation for Interfund Advances

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition:

During the review of interfund loans, the Town was unable to provide supporting documentation for the purpose and enforceability of an advance made by the Town to the former RDA totaling \$913,000, which was initially recorded in 2001.

Cause of Condition:

The Town did not enforce controls surrounding proper maintenance of supporting documentation.

Effect of Condition:

As a result of this lack of documentation, the Town determined such advance was no longer collectible, and wrote off the \$913,000 fiscal year 2013.

Recommendation:

We recommend the Town enforce its policy of maintaining supporting documentation for all transactions.

Management's Response:

We concur with the finding. The Administrative Services Director will prepare written procedures supporting the existing Town's accounting policies and further strengthening the policy of maintaining supporting documentation for all transactions.