

TOWN OF WINDSOR  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011

**TOWN OF WINDSOR**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

January 11, 2012

To the Town Council of  
the Town of Windsor  
Windsor, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor as of June 30, 2011 and the respective changes in the financial position and cash flows where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, as of July 1, 2010, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming that the Windsor Redevelopment Agency ("Agency") will continue as a going concern. As discussed in Notes 12 and 18 to the financial statements, on December 29, 2011, the California State Legislature upheld the constitutionality of the legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation raise substantial doubt about the Agency's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012 on our consideration of the Town of Windsor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts-and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windsor's financial statements as a whole. The Management's Discussion and Analysis, the CalPERS and OPEB schedules of funding progress, and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express not opinion on it. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

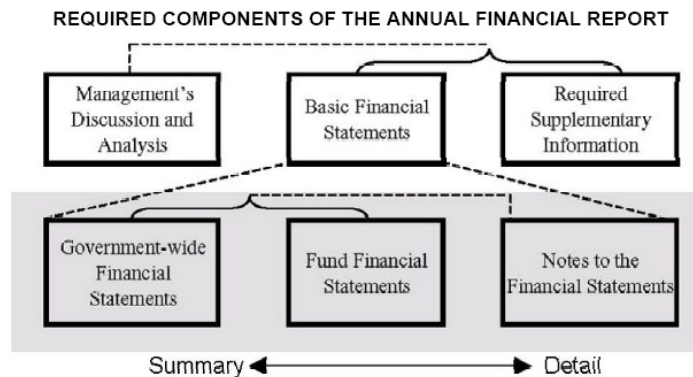
As management of the Town of Windsor (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town as of and for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here 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 \$269,537,653 (net assets). Of this amount, \$81,793,204 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$2,284,864 as a result of the year's operations.
- At the close of this fiscal year, the Town's governmental funds reported total ending fund balances of \$47,896,429, a decrease of \$2,126,115, after expenditures for capital projects. Approximately \$9,285,444 or 19% 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 \$355,951, or 1%, 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 Assets 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 some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

The Statement of Net Assets 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 assets. Over time, increases or decreases in net assets 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 assets 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 Redevelopment Agency, 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-five 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, RDA Low and Moderate Income Housing Special Revenue Fund, and RDA Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single,

**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

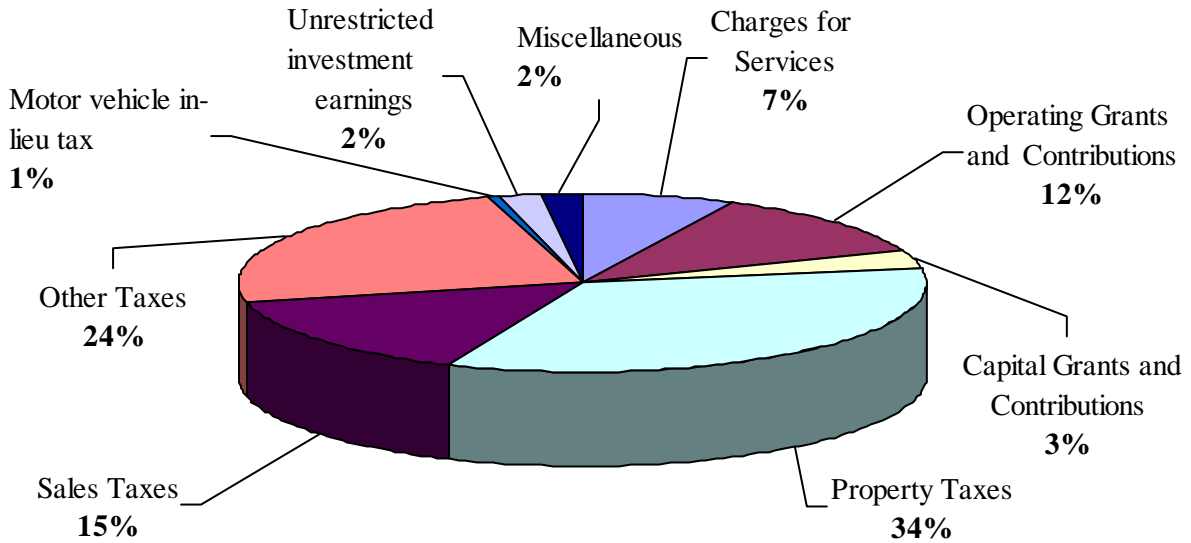
<b>NET ASSETS</b>						
JUNE 30, 2011 AND 2010						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2011	2010	2011	2010	2011	2010
<b>ASSETS</b>						
Current and other assets	\$ 56,890,647	\$ 58,253,757	\$ 29,812,019	\$ 35,552,950	\$ 86,702,666	\$ 93,806,707
Capital assets	143,730,945	143,334,548	80,485,769	77,943,585	224,216,714	221,278,133
Total assets	<u>200,621,592</u>	<u>201,588,305</u>	<u>110,297,788</u>	<u>113,496,535</u>	<u>310,919,380</u>	<u>315,084,840</u>
<b>LIABILITIES</b>						
Current liabilities	4,137,019	4,778,771	2,499,567	3,290,262	6,636,586	8,069,033
Long-term liabilities	20,820,433	20,381,323	13,924,708	14,811,967	34,745,141	35,193,290
Total liabilities	<u>24,957,452</u>	<u>25,160,094</u>	<u>16,424,275</u>	<u>18,102,229</u>	<u>41,381,727</u>	<u>43,262,323</u>
<b>NET ASSETS</b>						
Invested in capital assets net of related debt	121,966,987	122,039,548	65,777,462	62,269,254	187,744,449	184,308,802
Unrestricted	53,697,153	54,388,663	28,096,051	33,125,052	81,793,204	87,513,715
Total net assets	<u>\$ 175,664,140</u>	<u>\$ 176,428,211</u>	<u>\$ 93,873,513</u>	<u>\$ 95,394,306</u>	<u>\$ 269,537,653</u>	<u>\$ 271,822,517</u>

By far the largest portion of the Town's net assets (70%) 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. Certain reclassifications have been made to conform with the current year presentation.

Governmental activities: Significant revenues of the governmental activities are taxes (73%), 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 declined by 3% due a reduction in property tax values and a reduction in sales tax. Capital grants and contributions decreased by 54% due to a reduction in donated infrastructure.

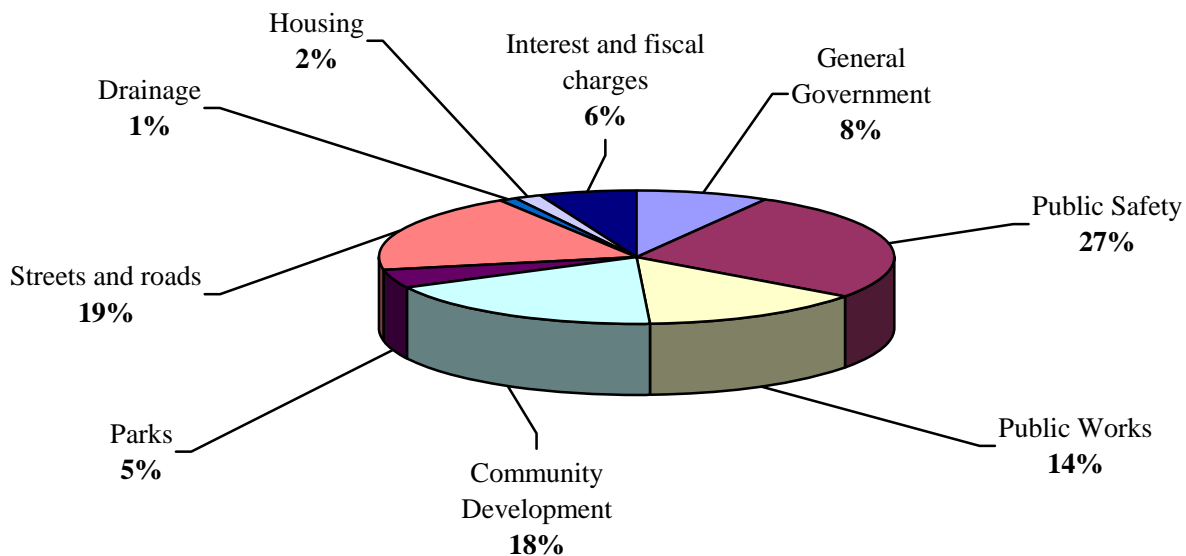
**TOWN OF WINDSOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2011**



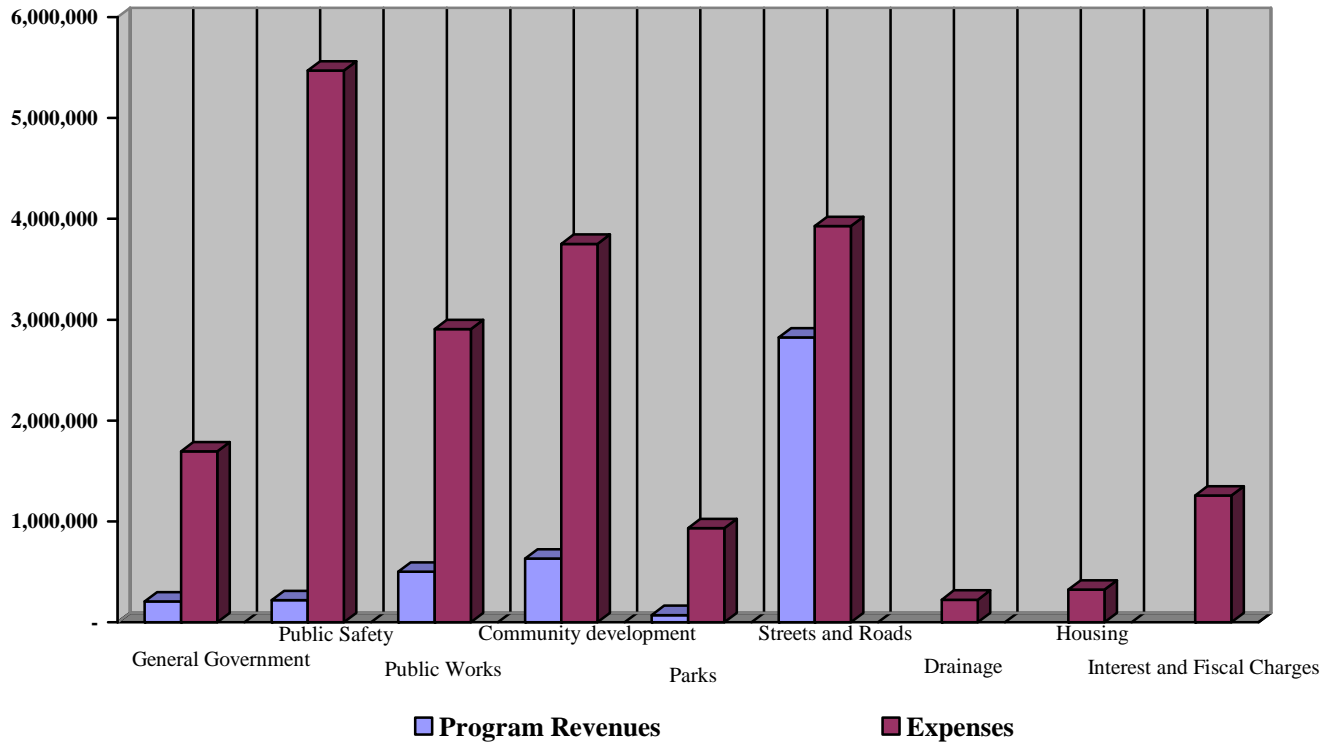
As for expenses, public safety expenses are the most significant (27%) of all governmental activities expenses, followed by streets and roads (19%), community development (18%), public works (14%), general government (8%), interest on long-term liabilities and fiscal charges (6%), and various other programs (8%). Included in these amounts is depreciation expense, which is 17% of the total expenses for governmental activities.

**EXPENSES BY FUNCTION/PROGRAM - GOVERNMENTAL ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2011**



**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**COMPARISON OF EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL**  
**ACTIVITIES**  
**FOR FISCAL YEAR ENDED JUNE 30, 2011**  
**(in dollars)**



Business-type activities: In the fiscal year ended June 30, 2011 business-type activities decreased the Town's net assets by \$1,520,793. Key elements of this change are as follows:

Charges for services increased by \$303,240 due to an increase in water revenues.

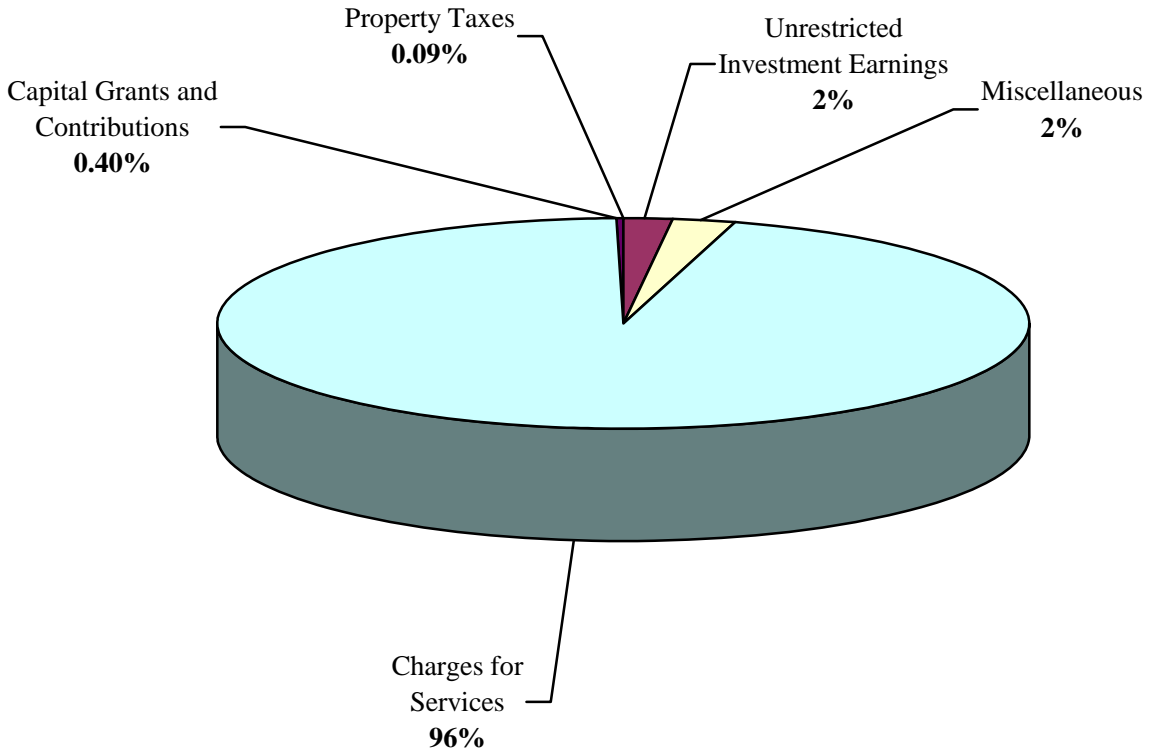
Capital grants and contributions decreased by \$497,026 due to reduced spending on infrastructure (utility systems) for the water and water reclamation systems.

Operating expenses increased by \$1,188,092. Salaries, benefits, supplies, repairs, insurance, utilities, and contractual services increased while depreciation and taxes showed a decrease.

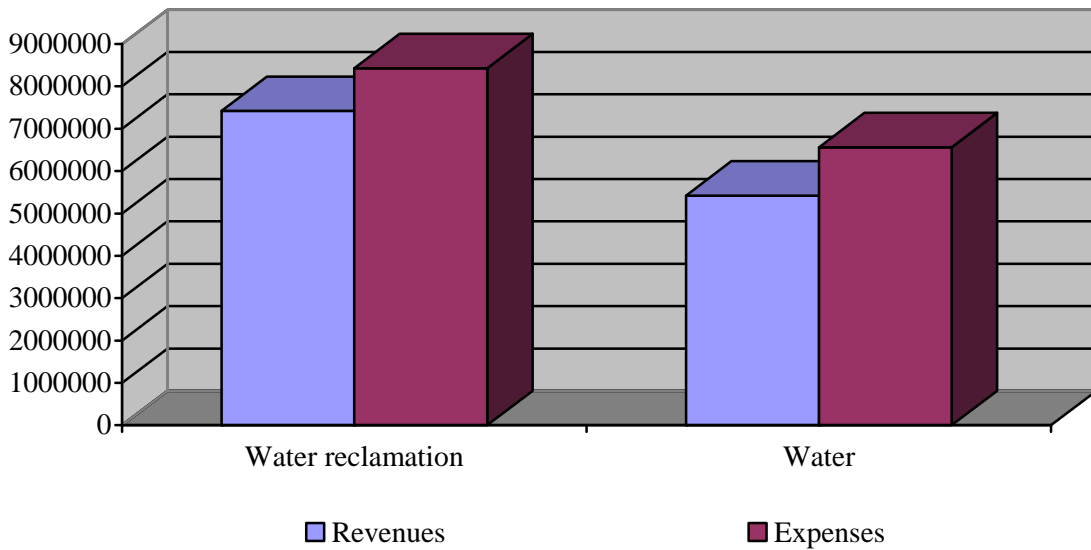
Unrestricted investment earnings decreased by \$161,046 primarily due to a lower rate of return over the previous year.

**TOWN OF WINDSOR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2011**



**COMPARISON OF EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2011  
(in dollars)**



**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**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, 2011, the Town's governmental funds reported total ending fund balance of \$47,896,429, a decrease of \$2,126,115 from the prior fiscal year. Total cash decreased by \$1,446,911 while investments decreased by \$659,171, resulting in an overall decrease in cash and investments. Approximately 19% 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 \$1,205,266 less than in the prior fiscal year, and expenditures decreased by \$965,621. A decrease in tax revenues accounted for a significant portion of the decrease in revenues. Interest and charges for services also saw a decrease. Capital outlay accounted for most of the decrease 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 assets decreased \$882,339 in the 2010-11 fiscal year. This decrease was primarily attributable to a decrease in capital grant revenue of approximately \$500,000.

The Water Reclamation Utility's net assets decreased \$638,454 in the current fiscal year which was primarily due to a net operating loss of \$589,591.

**CAPITAL ASSETS**

Capital assets - The Town's investment in capital assets for its governmental and business-type activities at June 30, 2011, amounted to \$224,216,714 (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 \$6,296,388.

**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS**

(net of accumulated depreciation)

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Land	\$ 32,310,417	\$ 32,310,417	\$ 6,893,707	\$ 6,893,707
Rights of way	407	407	-	-
Construction in Progress	20,765,746	24,374,539	12,224,410	9,714,583
Buildings	5,034,027	5,178,764	-	-
Improvements other than buildings	7,674,911	8,281,605	-	-
Equipment and machinery	98,907	152,193	193,845	225,222
Infrastructure	77,732,698	72,874,047	60,948,140	60,796,161
Vehicles	113,832	162,576	225,667	313,912
Total	<u>\$ 143,730,945</u>	<u>\$ 143,334,548</u>	<u>\$ 80,485,769</u>	<u>\$ 77,943,585</u>

Additional information on the Town's capital assets can be found in Note 5 of the notes to the financial statements.

**DEBT ADMINISTRATION**

Long-term liabilities - The Town's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$36,966,500 at June 30, 2011. Of this total \$22,024,129, or 60%, was in governmental activities and \$14,942,371, or 40%, was in business-type activities. The Town's outstanding long-term liabilities decreased by \$355,951 or 1.0% in fiscal year 2011.

**LONG-TERM LIABILITIES**

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ 51,000	\$ 63,000
Revenue bonds	12,730,000	13,585,000	8,540,000	9,050,000
Tax allocation bonds	5,100,000	5,460,000	-	-
Notes and loans payable	3,933,958	2,250,000	6,117,307	6,484,165
Compensated absences	260,171	234,323	234,064	195,963
Total	<u>\$ 22,024,129</u>	<u>\$ 21,529,323</u>	<u>\$ 14,942,371</u>	<u>\$ 15,793,128</u>

Additional information on the Town's long-term liabilities can be found in Note 6 of the notes to the financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was a \$219,347 increase in general fund appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2011. Additional budget figures are shown on page 59 of this report.

**TOWN OF WINDSOR**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the Town budget for the fiscal year 2010-11, the Town Council and management were conservative as to the projected growth of revenues and expenditures. The local economy is forecasted to continue to remain flat through 2011 with initial signs of a gradual recovery beginning in 2012. Unemployment will remain at a high level through mid 2012. In turn, the Town's principle revenues including sales tax, property tax and all development-related fees will remain flat, with gradual growth beginning in 2012. In view of the inherent uncertainty and volatility of the current economy, it is especially difficult to predict how long the current economic downturn will go or how long it will linger. Therefore, staff will continue to monitor actual revenues in all funds to adjust current spending plans as necessary to maintain a balanced 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 ASSETS**  
**JUNE 30, 2011**

<b><u>ASSETS</u></b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 33,468,700	\$ 17,213,282	\$ 50,681,982
Investments	11,194,219	7,395,880	18,590,099
Accounts receivable	1,615,560	2,307,826	3,923,386
Interest receivable	32,303	34,486	66,789
Note receivable	5,418,210	-	5,418,210
Internal balances	(913,000)	913,000	-
Prepaid expenses	440	-	440
Inventory	107,889	64,870	172,759
Restricted cash and cash equivalents	4,756,191	1,644,339	6,400,530
Deferred charges, net of amortization	1,210,135	238,336	1,448,471
Capital assets			
Land and construction in progress	53,076,569	19,118,117	72,194,686
Other capital assets, net of depreciation	90,654,376	61,367,652	152,022,028
<b>Total capital assets</b>	<b>143,730,945</b>	<b>80,485,769</b>	<b>224,216,714</b>
<b>Total Assets</b>	<b>\$ 200,621,592</b>	<b>\$ 110,297,788</b>	<b>\$ 310,919,380</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 2,072,610	\$ 966,310	\$ 3,038,920
Accrued liabilities	180,585	206,211	386,796
Accrued interest payable	501,146	224,287	725,433
Deposits payable	62,151	85,096	147,247
Accrued compensated absences			
Due within one year	50,527	44,000	94,527
Due in more than one year	209,644	190,064	399,708
Long-term liabilities			
Due within one year	1,270,000	973,663	2,243,663
Due in more than one year	20,493,958	13,734,644	34,228,602
Net OPEB obligation	116,831	-	116,831
<b>Total Liabilities</b>	<b>24,957,452</b>	<b>16,424,275</b>	<b>41,381,727</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	121,966,987	65,777,462	187,744,449
Unrestricted	53,697,153	28,096,051	81,793,204
<b>Total Net Assets</b>	<b>175,664,140</b>	<b>93,873,513</b>	<b>269,537,653</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 200,621,592</b>	<b>\$ 110,297,788</b>	<b>\$ 310,919,380</b>

See accompanying notes to the basic financial statements



**TOWN OF WINDSOR**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 1,694,391	144,003	61,269	\$ -	\$ (1,489,119)	\$ -	\$ (1,489,119)
Public safety	5,470,453	118,678	100,600	-	(5,251,175)	-	(5,251,175)
Public works	2,907,377	480,849	21,524	-	(2,405,004)	-	(2,405,004)
Community development	3,752,450	589,089	42,325	-	(3,121,036)	-	(3,121,036)
Parks	932,354	72,168	-	-	(860,186)	-	(860,186)
Streets and roads	3,928,181	7,547	2,149,549	667,451	(1,103,634)	-	(1,103,634)
Drainage	224,351	-	-	-	(224,351)	-	(224,351)
Housing	324,467	-	-	-	(324,467)	-	(324,467)
Interest and fiscal charges	1,255,786	-	-	-	(1,255,786)	-	(1,255,786)
Total governmental activities	20,489,810	1,412,334	2,375,267	667,451	(16,034,758)	-	(16,034,758)
Business-type activities:							
Water reclamation	8,426,627	7,419,938	-	-	-	(1,006,689)	(1,006,689)
Water	6,562,800	5,369,451	-	53,612	-	(1,139,737)	(1,139,737)
Total business-type activities	14,989,427	12,789,389	-	53,612	-	(2,146,426)	(2,146,426)
Total primary government	\$ 35,479,237	\$ 14,201,723	\$ 2,375,267	\$ 721,063	(16,034,758)	(2,146,426)	(18,181,184)
General revenues:							
Property taxes					6,692,217	12,716	6,704,933
Sales taxes					2,961,269	-	2,961,269
Other taxes					4,774,276	-	4,774,276
Motor vehicle in-lieu tax					122,770	-	122,770
Unrestricted investment earnings					375,103	257,486	632,589
Miscellaneous					367,577	332,906	700,483
Transfers					(22,525)	22,525	-
Total general revenues and transfers					15,270,687	625,633	15,896,320
Change in net assets					(764,071)	(1,520,793)	(2,284,864)
Net assets - July 1, 2010					176,428,211	95,394,306	271,822,517
Net assets - June 30, 2011					\$ 175,664,140	\$ 93,873,513	\$ 269,537,653

See accompanying notes to the basic financial statements

**TOWN OF WINDSOR**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Replacement Fund</u>	<u>RDA Low and Moderate Income Housing</u>	<u>RDA - Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 8,342,659	\$ 7,612,295	\$ 4,839,077	\$ 2,167,913	\$ 10,506,756	\$ 33,468,700
Restricted cash and cash equivalents	281,111	719,300	-	52,861	3,702,919	4,756,191
Investments	1,471,878	1,993,871	1,675,110	-	6,053,360	11,194,219
Accounts receivable	1,139,299	-	250,694	3,325	222,242	1,615,560
Interest receivable	10,211	8,071	-	2,633	11,388	32,303
Advances to other funds	453,332	-	-	-	1,100,000	1,553,332
Due from other funds	179,550	-	-	-	-	179,550
Prepaid expenses	-	-	-	-	440	440
Inventory	47,368	-	-	-	60,521	107,889
Notes receivable	-	-	5,418,210	-	-	5,418,210
Total Assets	<u>\$ 11,925,408</u>	<u>\$ 10,333,537</u>	<u>\$ 12,183,091</u>	<u>\$ 2,226,732</u>	<u>\$ 21,657,626</u>	<u>\$ 58,326,394</u>
<b><u>LIABILITIES AND OTHER FUND BALANCES</u></b>						
LIABILITIES:						
Accounts payable	1,343,366	9,902	13,781	61,292	644,269	2,072,610
Accrued liabilities	141,985	-	15,984	21,592	51,551	231,112
Deferred revenue	-	-	5,418,210	-	-	5,418,210
Deposits payable	62,151	-	-	-	-	62,151
Advances from other funds	-	-	400,000	-	2,066,332	2,466,332
Due to other funds	-	-	179,460	-	90	179,550
Total Liabilities	<u>1,547,502</u>	<u>9,902</u>	<u>6,027,435</u>	<u>82,884</u>	<u>2,762,242</u>	<u>10,429,965</u>
FUND BALANCES:						
Nonspendable	500,700	-	-	-	1,160,961	1,661,661
Restricted	33,034	-	6,155,656	-	7,742,142	13,930,832
Committed	-	-	-	-	-	-
Assigned	230,471	10,323,635	-	2,143,848	10,320,538	23,018,492
Unassigned	9,613,701	-	-	-	(328,257)	9,285,444
Total Fund Balances	<u>10,377,906</u>	<u>10,323,635</u>	<u>6,155,656</u>	<u>2,143,848</u>	<u>18,895,384</u>	<u>47,896,429</u>
Total Liabilities and Fund Balances	<u>\$ 11,925,408</u>	<u>\$ 10,333,537</u>	<u>\$ 12,183,091</u>	<u>\$ 2,226,732</u>	<u>\$ 21,657,626</u>	<u>\$ 58,326,394</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 ASSETS**  
**JUNE 30, 2011**

Total fund balances of governmental funds	\$ 47,896,429
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 \$53,959,081	143,730,945
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.	5,418,210
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds	
Long-term liabilities	(21,763,958)
Compensated absences	(209,644)
Net OPEB obligation	(116,831)
Deferred charges, net of accumulated amortization of \$819,895 for debt issuance costs and discounts on long-term liabilities are expensed when incurred, and therefore are not reported in the governmental funds	1,210,135
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds	<u>(501,146)</u>
Net assets of governmental activities	<u><u>\$ 175,664,140</u></u>

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, 2011**

	<u>General Fund</u>	<u>Capital Replacement Fund</u>	<u>RDA Low and Moderate Income Housing</u>	<u>RDA - Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property taxes	\$ 3,632,773	\$ -	\$ 611,664	\$ 2,446,656	\$ 1,124	\$ 6,692,217
Sales taxes	2,961,269	-	-	-	-	2,961,269
Other taxes	4,037,386	-	-	-	859,660	4,897,046
Licenses, permits, and fees	506,322	-	-	-	102,614	608,936
Fines and forfeitures	44,731	-	-	-	-	44,731
Rental income	64,913	-	-	-	-	64,913
Investment earnings	13,139	92,406	56,367	28,533	184,658	375,103
Intergovernmental	105,360	-	-	-	2,269,907	2,375,267
Charges for services	577,787	-	-	150	115,817	693,754
Other revenues	138,619	-	-	-	82,534	221,153
Total Revenues	<u>12,082,299</u>	<u>92,406</u>	<u>668,031</u>	<u>2,475,339</u>	<u>3,616,314</u>	<u>18,934,389</u>
<b>EXPENDITURES</b>						
General administration	1,460,793	-	2,531	-	49,601	1,512,925
Public safety	5,395,362	37,913	-	-	24,462	5,457,737
Public works	657,047	-	-	-	1,674,027	2,331,074
Community development	2,647,085	-	1,685,843	1,070,068	21,374	5,424,370
Parks	30	-	-	-	325,630	325,660
Streets and roads	-	-	-	-	1,874,706	1,874,706
Drainage	-	-	-	-	224,351	224,351
Housing	-	-	323,724	743	-	324,467
Capital outlay	213,516	19,917	-	519,847	2,432,206	3,185,486
Debt service:						
Principal	-	-	-	-	1,215,000	1,215,000
Interest	-	-	-	-	846,161	846,161
Total Expenditures	<u>10,373,833</u>	<u>57,830</u>	<u>2,012,098</u>	<u>1,590,658</u>	<u>8,687,518</u>	<u>22,721,937</u>
Excess (deficiency) of revenues over expenditures	<u>1,708,466</u>	<u>34,576</u>	<u>(1,344,067)</u>	<u>884,681</u>	<u>(5,071,204)</u>	<u>(3,787,548)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	634,013	-	-	517,136	2,368,613	3,519,762
Transfers out	(1,746,808)	-	-	(46,642)	(1,748,837)	(3,542,287)
Proceeds from loans	-	-	1,683,958	-	-	1,683,958
Total Other Financing Sources (Uses)	<u>(1,112,795)</u>	<u>-</u>	<u>1,683,958</u>	<u>470,494</u>	<u>619,776</u>	<u>1,661,433</u>
Net change in fund balance	<u>595,671</u>	<u>34,576</u>	<u>339,891</u>	<u>1,355,175</u>	<u>(4,451,428)</u>	<u>(2,126,115)</u>
Fund balances, July 1, 2010, as previously stated	9,738,691	10,289,059	5,815,765	788,673	23,390,356	50,022,544
Transfer of fund balances for GASB 54	43,544	-	-	-	(43,544)	-
Fund balances - July 1, 2010	<u>9,782,235</u>	<u>10,289,059</u>	<u>5,815,765</u>	<u>788,673</u>	<u>23,346,812</u>	<u>50,022,544</u>
Fund balances - June 30, 2011	<u>\$ 10,377,906</u>	<u>\$ 10,323,635</u>	<u>\$ 6,155,656</u>	<u>\$ 2,143,848</u>	<u>\$ 18,895,384</u>	<u>\$ 47,896,429</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, 2011**

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

Net change in fund balances - total governmental funds	\$ (2,126,115)
<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	3,177,192
Depreciation expense	(3,448,246)
<p>Governmental funds do not report donated capital assets. However, in the Statement of Activities, the cost of those capital assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of the donated capital assets.</p>	
	667,451
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>	
Bond principal payments	1,215,000
<p>Proceeds from long-term notes payable are an other financing source in governmental funds, but an increase in long-term liabilities in the Statement of Net Assets.</p>	
Proceeds from notes payable	(1,683,958)
<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>	
	24,679
<p>Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increase the assets in the Statement of Net Assets.</p>	
Amortization of bond issuance costs	(95,556)
<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 an increase and decrease, respectively, in notes receivable in the Statement of Net Assets.</p>	
Additions to notes receivable, including accrued interest	1,830,382
<p>Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.</p>	
	(314,069)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.</p>	
Other post employment benefits	(10,831)
Changes in net assets of governmental activities	\$ (764,071)

See accompanying notes to the basic financial statements

**TOWN OF WINDSOR**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
 JUNE 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Reclamation</b>	<b>Water</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and cash equivalents	\$ 11,684,710	\$ 5,528,572	\$ 17,213,282
Investments	1,581,752	5,814,128	7,395,880
Accounts receivable	1,328,125	979,701	2,307,826
Interest receivable	21,450	13,036	34,486
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Inventory	6,429	58,441	64,870
<b>Total Current Assets</b>	<b>14,622,466</b>	<b>12,393,878</b>	<b>27,016,344</b>
Non-Current Assets			
Advances to other funds	913,000	-	913,000
Restricted cash and cash equivalents	503,212	1,141,127	1,644,339
Deferred issuance costs, net	177,536	60,800	238,336
Capital assets, net of accumulated depreciation	57,617,922	22,867,847	80,485,769
<b>Total Non-Current Assets</b>	<b>59,211,670</b>	<b>24,069,774</b>	<b>83,281,444</b>
<b>Total Assets</b>	<b>\$ 73,834,136</b>	<b>\$ 36,463,652</b>	<b>\$ 110,297,788</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts payable	\$ 675,849	\$ 290,461	\$ 966,310
Accrued liabilities	118,794	87,417	206,211
Accrued interest payable	172,530	51,757	224,287
Deposits payable	42,248	42,848	85,096
Advances from other funds	-	-	-
Due to other funds	-	-	-
Long term liabilities - current portion	811,163	162,500	973,663
<b>Total Current Liabilities</b>	<b>1,820,584</b>	<b>634,983</b>	<b>2,455,567</b>
Non-Current Liabilities			
Compensated absences	118,815	115,249	234,064
Loans payable	5,080,394	604,250	5,684,644
Bonds payable	4,155,000	3,895,000	8,050,000
<b>Total Non-Current Liabilities</b>	<b>9,354,209</b>	<b>4,614,499</b>	<b>13,968,708</b>
<b>Total Liabilities</b>	<b>11,174,793</b>	<b>5,249,482</b>	<b>16,424,275</b>
<b><u>NET ASSETS:</u></b>			
Invested in capital assets, net of related debt	47,571,365	18,206,097	65,777,462
Unrestricted	15,087,978	13,008,073	28,096,051
<b>Total Net Assets</b>	<b>62,659,343</b>	<b>31,214,170</b>	<b>93,873,513</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 73,834,136</b>	<b>\$ 36,463,652</b>	<b>\$ 110,297,788</b>

See accompanying notes to the basic financial statements

**TOWN OF WINDSOR**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Reclamation</b>	<b>Water</b>	<b>Totals</b>
<b><u>OPERATING REVENUES</u></b>			
Charges for services, net of refunds	\$ 7,154,698	\$ 5,369,451	\$ 12,524,149
Other revenue	241,395	91,511	332,906
<b>Total Operating Revenue</b>	<b>7,396,093</b>	<b>5,460,962</b>	<b>12,857,055</b>
<b><u>OPERATING EXPENSES</u></b>			
Salaries and benefits	2,778,383	2,592,332	5,370,715
Materials, supplies, and operational expenses	1,007,696	1,420,401	2,428,097
Repairs and maintenance	418,469	696,609	1,115,078
Insurance	70,221	70,221	140,442
Contractual services	1,201,418	248,430	1,449,848
Taxes and licenses	31,665	12,424	44,089
Utilities	681,866	259,936	941,802
Depreciation	1,795,966	1,052,176	2,848,142
<b>Total Operating Expenses</b>	<b>7,985,684</b>	<b>6,352,529</b>	<b>14,338,213</b>
<b>Operating Income (Loss)</b>	<b>(589,591)</b>	<b>(891,567)</b>	<b>(1,481,158)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Amortization expense	(42,814)	(3,800)	(46,614)
Rental income	265,240	-	265,240
Grant revenue	-	53,612	53,612
Interest income	97,590	159,896	257,486
Interest expense	(398,129)	(206,471)	(604,600)
Property taxes	12,716	-	12,716
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(65,397)</b>	<b>3,237</b>	<b>(62,160)</b>
<b>Income Before Contributions and Transfers</b>	<b>(654,988)</b>	<b>(888,330)</b>	<b>(1,543,318)</b>
<b><u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u></b>			
Transfers in	7,561,445	1,486,979	9,048,424
Transfers out	(7,544,911)	(1,480,988)	(9,025,899)
Capital contributions	-	-	-
<b>Total Transfers and Capital Contributions</b>	<b>16,534</b>	<b>5,991</b>	<b>22,525</b>
<b>Change in net assets</b>	<b>(638,454)</b>	<b>(882,339)</b>	<b>(1,520,793)</b>
<b>Total Net Assets - July 1, 2010</b>	<b>63,297,797</b>	<b>32,096,509</b>	<b>95,394,306</b>
<b>Total Net Assets - June 30, 2011</b>	<b>\$ 62,659,343</b>	<b>\$ 31,214,170</b>	<b>\$ 93,873,513</b>

See accompanying notes to the basic financial statements

**TOWN OF WINDSOR**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Reclamation</b>	<b>Water</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 7,391,298	\$ 6,285,599	\$ 13,676,897
Cash paid to suppliers	(4,110,670)	(2,895,317)	(7,005,987)
Cash paid to employees	(2,716,153)	(2,535,856)	(5,252,009)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>564,475</u>	<u>854,426</u>	<u>1,418,901</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Property taxes	12,716	-	12,716
Transfers to other funds	16,534	5,991	22,525
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>29,250</u>	<u>5,991</u>	<u>35,241</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Grant revenue	-	53,612	53,612
Restricted cash	(416,478)	(1,141,127)	(1,557,605)
Acquisition and construction of capital assets	(4,915,624)	(474,702)	(5,390,326)
Proceeds of capital debt	-	53,612	53,612
Principal paid on capital debt	(787,469)	(155,000)	(942,469)
Interest paid on capital debt	(397,784)	(203,927)	(601,711)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(6,517,355)</u>	<u>(1,867,532)</u>	<u>(8,384,887)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase/disposal of investments	101,152	388,698	489,850
Rental income	265,240	-	265,240
Interest and dividends	94,147	154,860	249,007
<b>Net Cash Used for Investing Activities</b>	<u>460,539</u>	<u>543,558</u>	<u>1,004,097</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(5,463,091)</u>	<u>(463,557)</u>	<u>(5,926,648)</u>
<b>Cash and Cash Equivalents - July 1, 2010</b>	<u>17,147,801</u>	<u>5,992,129</u>	<u>23,139,930</u>
<b>Cash and Cash Equivalents - June 30, 2011</b>	<u>\$ 11,684,710</u>	<u>\$ 5,528,572</u>	<u>\$ 17,213,282</u>

See accompanying notes to the basic financial statements



**TOWN OF WINDSOR**  
STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

**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)	\$ (589,591)	\$ (891,567)	\$ (1,481,158)
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation expense	1,795,966	1,052,176	2,848,142
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(2,874)	825,958	823,084
Decrease in prepaid expenses	9,888	9,888	19,776
Increase in inventory	(912)	(935)	(1,847)
Decrease in accounts payable	(708,311)	(196,249)	(904,560)
Decrease in deposits payable	(1,921)	(1,321)	(3,242)
Increase in accrued wages	47,794	32,811	80,605
Increase in compensated absences	14,436	23,665	38,101
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 564,475</u>	<u>\$ 854,426</u>	<u>\$ 1,418,901</u>

See accompanying notes to the basic financial statements

**TOWN OF WINDSOR**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b><u>ASSETS</u></b>	<b><u>Agency Funds</u></b>
Cash and cash equivalents	\$ 1,025,728
Restricted cash and cash equivalents	107,736
Investments	533,717
Accounts receivable	225
Interest receivable	237
	1,667,643
<b>Total Assets</b>	<b>\$ 1,667,643</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 29,788
Deposits payable	641,728
Due to special assessment districts	996,127
	1,667,643
<b>Total Liabilities</b>	<b>\$ 1,667,643</b>

See accompanying notes to the basic financial statements

**TOWN OF WINDSOR**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**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 Windsor Redevelopment Agency (the "Agency") was established on July 1, 1993, pursuant to the State of California Health and Safety Code, Section 33000. It consists of one project area: the Windsor Project Area. Its purpose is 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 Agency is controlled by the Town and has the same governing board as the Town, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Debt Service Fund, the Redevelopment Agency Capital Projects Fund, and the Redevelopment Agency Low and Moderate Income Housing Fund. Audited financial statements for the Agency may be obtained from the Town of Windsor, 9291 Old Redwood Highway, Windsor, California, 95492.

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.

**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.

**TOWN OF WINDSOR**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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

Government-wide Financial Statements:

The Statement of Net Assets 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 assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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.

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.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement were incorporated into the presentation of the financial statements for June 30, 2011. The composition and classification of the various component amounts that comprise the fund balance differ from prior year presentations. Please see Note 11 and the Balance Sheet for the new presentation of fund balance components.

Based upon the above, the Town determined that the Asset Forfeiture, Grant Special Revenue, Strong Motion, Tree Removal Mitigation, and Pool Creek Maintenance funds do not meet the definition of Special Revenue funds under GASB 54 and are included as part the General Fund. The Town has also determined that Capital Replacement, Redevelopment Capital Projects, Redevelopment Low and Moderate Income Housing funds meet the definition of Capital Project funds. The beginning governmental fund balances for June 30, 2011 have been restated to reflect these changes.

### **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.

### **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.

**TOWN OF WINDSOR**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

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

Redevelopment Agency Low and Moderate Income Housing Fund - This fund is used to account for the required 20% set aside of property tax revenue pursuant to Community Development law to fund low and moderate income housing projects.

Redevelopment Capital Projects - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities of the Redevelopment Agency of the Town of Windsor.

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 type:

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.

### **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 Assets 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

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

assets (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 assets.

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets 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 assets 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 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.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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 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



**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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.

**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 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.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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 Assets for governmental funds and the Statement of Net Assets 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, 2011. 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 assets. 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

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Fund Statements

The accounts of the Agency 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

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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.

**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.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011 were classified in the accompanying financial statements as follows:

	Cash and cash equivalents	Restricted cash and cash equivalents	Investments	Total
Governmental activities	\$ 33,468,700	\$ 4,756,191	\$ 11,194,219	\$ 49,419,110
Business-type activities	17,213,282	1,644,339	7,395,880	26,253,501
<b>Total government wide cash and investments</b>	<u>50,681,982</u>	<u>6,400,530</u>	<u>18,590,099</u>	<u>75,672,611</u>
Fiduciary activities	1,025,728	107,736	533,717	1,667,181
<b>Total cash and investments</b>	<u>\$ 51,707,710</u>	<u>\$ 6,508,266</u>	<u>\$ 19,123,816</u>	<u>\$ 77,339,792</u>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Cash and investments were carried at fair value as of June 30, 2011 and consisted of the following:

Cash and cash equivalents in investment pools	\$ 50,727,977
Cash and cash equivalents with fiscal agent	3,802,721
Restricted cash	2,918,747
Investments	19,031,803
Cash in banks	856,769
Petty cash	1,775
	<u>77,339,792</u>
Total cash and investments	\$ <u><u>77,339,792</u></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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee 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 by maturity as of June 30, 2011:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Investment pools (LAIF & County)	\$ 50,727,977	\$ -	\$ 50,727,977
Investments:			
United States Treasury Obligations	-	991,560	991,560
Federal Home Loan Bank	-	4,976,660	4,976,660
Federal National Mortgage Association	-	6,952,573	6,952,573
Federal Farm Credit Bank Funding Corporation	-	4,014,350	4,014,350
Corporate Bonds	1,034,780	1,061,880	2,096,660
Held by bond trustee:			
Money market funds	3,802,721	-	3,802,721
	<u>\$ 55,565,478</u>	<u>\$ 17,997,023</u>	<u>\$ 73,562,501</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)	\$ 50,727,977			Not rated
Investments:				
United States Treasury Obligations	991,560	-	Aaa	
Federal Home Loan Bank	4,976,660	AA+	Aaa	
Federal National Mortgage Association	6,952,573	AA+	Aaa	
Federal Farm Credit Bank Funding Corporation	4,014,350	AA+	Aaa	
Corporate Bonds	2,096,660	AA+	Aa2	
Held by bond trustee:				
Money market funds	3,802,721			Not rated
	<u>\$ 73,562,501</u>			

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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 Loan Bank	U.S. Agency Securities	\$ 4,976,660
Federal National Mortgage Association	U.S. Agency Securities	6,952,573
Federal Farm Credit Banks Funding Corporation	U.S. Agency Securities	4,014,350
General Electric	Corporate Bonds	2,096,660

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 Company places its cash and cash equivalents with a high quality financial institution. Balances may, from time to time, exceed FDIC insurance limits. The Company has never experienced any losses related to these balances. Non-interest bearing balances were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company'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.



**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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.

**NOTE 3: NOTES AND LOANS RECEIVABLE**

The Town engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the Town's terms.

The balance of notes and loans receivable have been offset in the fund financial statements by deferred revenue as they were not expected to be repaid during the fiscal year June 30, 2011. Management has determined no allowances for bad debt are necessary as of June 30, 2011.

These notes and loans receivable, including interest, comprised the following at June 30, 2011 and are explained in detail below.

	<b>Notes Receivable</b>
Forest Winds Apartments	\$ 537,057
Winter Creek Village Apartments	1,000,267
Vinecrest	983,838
Twin Oaks	175,000
Manzanita Self-help	2,722,048
<b>Total</b>	<b>\$ 5,418,210</b>

**A. Forest Winds Apartments Notes 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 has been assigned to the Low and Moderate Income Housing Fund of the Agency and is to accrue 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, 2011 totaled \$197,057.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**B. Winter Creek Village Apartments Notes 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 development costs, fees, and permits for an affordable housing project in the Town of Windsor. This note has been assigned to the Low and Moderate Income Housing Fund of the Agency and is to accrue 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, 2011 totaled \$68,068.

**C. Vinecrest Note Receivable**

In January 1997, the Agency made payments to the Burbank Housing Development Corporation for the development costs of an affordable housing project (Vinecrest Housing Project). These amounts are shown as a receivable in the Low and Moderate Income Housing Fund of the Agency. 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, 2011 totaled \$295,838.

**D. Twin Oaks Notes Receivable**

In July 2002, the Agency sold three townhomes 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 \$500,000. In December 2005, the Agency sold one of the properties with a balance of \$75,000 in the form of a note, and in August 2008, the Agency sold the remaining property with a balance of \$50,000. Upon sale of the property, the Agency 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 Agency's note represents as a portion of the original sales price.

**E. Manzanita Self-help**

In April 2009, the Agency entered into an agreement with Burbank to assist in the development of a 22-unit self-help housing project (Manzanita), whereby the Agency will loan Burbank up to \$4.6 million. The total amount loaned as of June 30, 2011 was \$2,722,048, including interest of \$88,090. The loan is due April 1, 2013 and is secured by the land. Interest on the loan is 3% simple deferred interest and included in the balance at June 30, 2011.

As of June 30, 2011, loans receivable and related deferred revenue in the Low and Moderate Income Housing Fund totaled \$5,418,210.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4: INTERFUND TRANSACTIONS**

Transfers between funds during the fiscal year ended June 30, 2011 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Description of transfer</u>	<u>Amount</u>
<b>Major Governmental Funds</b>			
General Fund	RDA Capital Projects	Loan to RDA	\$ 517,136
General Fund	Debt Service	Scheduled debt service	231,108
General Fund	Water Operating	Scheduled debt service	71,786
General Fund	Lighting & Landscaping Assessment	Cover fund balance deficit	854,992
General Fund	Water Reclamation Operating	Scheduled debt service	71,786
RDA Capital Projects	General Fund	Community services event	25,118
RDA Capital Projects	Debt Service Fund	Base rental payments	21,524
<b>Total Major Governmental Interfund Transfers</b>			<b>1,793,450</b>
<b>Non-Major Governmental Funds</b>			
Public Facilities	Water Reclamation Operating	Scheduled debt service	43,071
Public Facilities	Debt Service	Scheduled debt service	154,914
Public Facilities	Water Operating	Scheduled debt service	43,071
RDA Debt Service	Lighting & Landscaping Assessment	Tax increment revenue	3,624
RDA Debt Service	Debt Service	Scheduled debt service	987,021
RDA Debt Service	General Fund	Scheduled debt service	517,136
<b>Total Non-Major Governmental Interfund Transfers</b>			<b>1,748,837</b>
<b>Total Governmental Interfund Transfers</b>			<b>3,542,287</b>
<b>Proprietary Funds</b>			
Water Reclamation Operating	General Fund	Facility cost sharing	40,608
Water Reclamation Operating	Debt Service	Scheduled debt service	57,715
Water Reclamation Operating	Water Reclamation Capital Replacement	Scheduled debt service	1,500,000
Water Reclamation Capital Replacement	Water Reclamation Operating	Funding of capital purchases	1,910,967
Water Reclamation Capital Replacement	Water Reclamation Capital	Funding of capital purchases	879,000
Water Reclamation Capital	Water Reclamation Operating	Funding of capital purchases	3,156,621
Water Operating	General Fund	Facility cost sharing	51,151
Water Operating	Debt Service	Scheduled debt service	57,715
Water Operating	Water Capital Replacement	Future replacement purchases	800,000
Water Capital Replacement	Water Operating	Funding of capital purchases	353,694
Water Capital	Water Operating	Future capital purchases	218,428
<b>Total Proprietary Interfund Transfers</b>			<b>9,025,899</b>
<b>Total Interfund Transfers</b>			<b>\$ 12,568,186</b>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 5: CAPITAL ASSETS**

**Governmental activities:**

	Balance at June 30, 2010	Additions	Retirements /Transfers	Balance at June 30, 2011
Capital assets not being depreciated				
Land	\$ 32,310,417	\$ -	\$ -	\$ 32,310,417
Rights of way	407	-	-	407
Construction-in-progress	24,374,539	3,177,192	(6,785,986)	20,765,745
	<u>56,685,363</u>	<u>3,177,192</u>	<u>(6,785,986)</u>	<u>53,076,569</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings	7,253,229	-	-	7,253,229
Improvements other than buildings	14,804,225	-	-	14,804,225
Equipment and machinery	1,069,705	-	-	1,069,705
Infrastructure	113,380,796	7,453,437	-	120,834,233
Vehicles	873,375	-	(221,310)	652,065
	<u>137,381,330</u>	<u>7,453,437</u>	<u>(221,310)</u>	<u>144,613,457</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings	(2,074,465)	(144,737)	-	(2,219,202)
Improvements other than buildings	(6,522,620)	(606,694)	-	(7,129,314)
Equipment and machinery	(917,512)	(53,285)	-	(970,797)
Infrastructure	(40,506,749)	(2,594,786)	-	(43,101,535)
Vehicles	(710,799)	(48,744)	221,310	(538,233)
	<u>(50,732,145)</u>	<u>(3,448,246)</u>	<u>221,310</u>	<u>(53,959,081)</u>
Total accumulated depreciation				
<b>Total capital assets, net</b>	<u>\$ 143,334,548</u>	<u>\$ 7,182,383</u>	<u>\$ (6,785,986)</u>	<u>\$ 143,730,945</u>

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

Governmental Activities:

General administration	\$ 202,787
Public safety	12,716
Public works	567,242
Community development and recreation	9,547
Parks	606,694
Streets and roads	<u>2,049,260</u>
Total governmental activities and depreciation expense	<u>\$ 3,448,246</u>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Business-type activities:**

	Balance at June 30, 2010	Additions	Retirements /Transfers	Balance at June 30, 2011
<b>Water Fund:</b>				
Capital assets not being depreciated				
Land	\$ 628,586	\$ -	\$ -	\$ 628,586
Construction-in-progress	2,598,044	474,702	(2,093,204)	979,542
Total capital assets not being depreciated	<u>3,226,630</u>	<u>474,702</u>	<u>(2,093,204)</u>	<u>1,608,128</u>
Capital assets being depreciated				
Infrastructure (utility systems)	33,721,542	2,093,204	-	35,814,746
Equipment and machinery	904,401	-	-	904,401
Vehicles	734,639	-	(22,456)	712,183
Total capital assets being depreciated	<u>35,360,582</u>	<u>2,093,204</u>	<u>(22,456)</u>	<u>37,431,330</u>
Less accumulated depreciation				
Infrastructure (utility systems)	(13,798,242)	(972,163)	-	(14,770,405)
Equipment and machinery	(788,752)	(22,847)	-	(811,599)
Vehicles	(554,897)	(57,166)	22,456	(589,607)
Total accumulated depreciation	<u>(15,141,891)</u>	<u>(1,052,176)</u>	<u>22,456</u>	<u>(16,171,611)</u>
<b>Total capital assets, net</b>	<u>\$ 23,445,321</u>	<u>\$ 1,515,730</u>	<u>\$ (2,093,204)</u>	<u>\$ 22,867,847</u>
	Balance at June 30, 2010	Additions	Retirements /Transfers	Balance at June 30, 2011
<b>Water Reclamation Fund:</b>				
Capital assets not being depreciated				
Land	\$ 6,265,121	\$ -	\$ -	\$ 6,265,121
Construction-in-progress	7,116,539	4,915,624	(787,295)	11,244,868
Total capital assets not being depreciated	<u>13,381,660</u>	<u>4,915,624</u>	<u>(787,295)</u>	<u>17,509,989</u>
Capital assets being depreciated				
Infrastructure (utility systems)	64,480,622	787,295	-	65,267,917
Equipment and machinery	3,029,943	-	-	3,029,943
Vehicles	859,772	-	(15,102)	844,670
Total capital assets being depreciated	<u>68,370,337</u>	<u>787,295</u>	<u>(15,102)</u>	<u>69,142,530</u>
Less accumulated depreciation				
Infrastructure (utility systems)	(23,607,761)	(1,756,358)	-	(25,364,119)
Equipment and machinery	(2,920,370)	(8,531)	-	(2,928,901)
Vehicles	(725,602)	(31,077)	15,102	(741,577)
Total accumulated depreciation	<u>(27,253,733)</u>	<u>(1,795,966)</u>	<u>15,102</u>	<u>(29,034,597)</u>
<b>Total capital assets, net</b>	<u>\$ 54,498,264</u>	<u>\$ 3,906,953</u>	<u>\$ (787,295)</u>	<u>\$ 57,617,922</u>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

Water Fund	\$ 1,052,176
Water Reclamation fund	<u>1,795,966</u>
 Total business-type activities depreciation expense	 <u><u>\$ 2,848,142</u></u>

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in the Town's long-term liabilities for the fiscal year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011	Current Portion
<b>Governmental activities:</b>					
Compensated absences	\$ 234,323	\$ 64,848	\$ (39,000)	\$ 260,171	\$ 50,527
Tax allocation bonds	5,460,000	-	(360,000)	5,100,000	375,000
Revenue bonds	13,585,000	-	(855,000)	12,730,000	895,000
CAL HFA Loans Payable	2,250,000	1,683,958	-	3,933,958	-
Total Governmental Activities	<u>\$ 21,529,323</u>	<u>\$ 1,748,806</u>	<u>\$ (1,254,000)</u>	<u>\$ 22,024,129</u>	<u>\$ 1,320,527</u>
	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011	Current Portion
<b>Business-type activities:</b>					
Water Fund:					
Compensated absences	\$ 91,584	\$ 37,665	\$ (14,000)	\$ 115,249	\$ 22,000
Revenue bonds	4,212,500	-	(155,000)	4,057,500	162,500
SDWSRF loan payable	550,638	53,612	-	604,250	-
	<u>4,854,722</u>	<u>91,277</u>	<u>(169,000)</u>	<u>4,776,999</u>	<u>184,500</u>
Water Reclamation Fund					
State Revolving Fund	5,933,527	-	(420,470)	5,513,057	432,663
Compensated absences	104,379	28,436	(14,000)	118,815	22,000
Revenue bonds	4,837,500	-	(355,000)	4,482,500	372,500
General obligation bonds	63,000	-	(12,000)	51,000	6,000
	<u>10,938,406</u>	<u>28,436</u>	<u>(801,470)</u>	<u>10,165,372</u>	<u>833,163</u>
Total Business-type Activities	<u><u>\$ 15,793,128</u></u>	<u><u>\$ 119,713</u></u>	<u><u>\$ (970,470)</u></u>	<u><u>\$ 14,942,371</u></u>	<u><u>\$ 1,017,663</u></u>

**TOWN OF WINDSOR**  
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A description of the long-term liabilities related to governmental activities at June 30, 2011 follows:

**A. Governmental Activities**

Tax Allocation Bonds - Series 1998

On December 3, 1998 the 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. The outstanding principal balance of the 1998 bonds at June 30, 2011 was \$1,285,000.

Tax Allocation Bonds - Series 2004

On October 7, 2004, the 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. The outstanding principal balance of the 2004 bonds at June 30, 2011 was \$3,815,000.

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 bonds vary between 3.2 and 5.4 percent with a final maturity in 2024. The outstanding principal balance of the bonds at June 30, 2011 was \$4,950,000.

**TOWN OF WINDSOR**  
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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, 2011 was \$7,780,000.

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. As of June 30, 2011, the outstanding amount of the loan payable was \$1,300,000. Payment is deferred for the term of the loan which expires February 2017.

In October 2008, the Agency entered into a residential development agreement with the California Housing Finance Agency (Cal HFA) for a total loan commitment of \$4,600,000. Interest payable on the loan is 3% simple per annum and only charged on the amount disbursed. As of June 30, 2011, the outstanding amount of the loan payable was \$2,633,958. Payment is deferred for the term of the loan which expires on July 23, 2014.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of \$1,210,135 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, 2011 was \$95,556.

Governmental Activities Long-Term Liabilities Bond Amortization:

<b>1998 Tax Allocation Bonds</b>			
<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 160,000	\$ 56,758	\$ 216,758
2013	165,000	49,525	214,525
2014	175,000	41,787	216,787
2015	125,000	34,762	159,762
2016	125,000	28,763	153,763
2017-2021	455,000	56,670	511,670
2022-2026	80,000	7,800	87,800
<b>Total</b>	<b>\$ 1,285,000</b>	<b>\$ 276,065</b>	<b>\$ 1,561,065</b>



**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**2004 Tax Allocation Bonds**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 215,000	\$ 149,753	\$ 364,753
2013	220,000	143,063	363,063
2014	230,000	135,745	365,745
2015	235,000	127,839	362,839
2016	245,000	119,375	364,375
2017-2021	1,355,000	445,740	1,800,740
2022-2026	<u>1,315,000</u>	<u>121,838</u>	<u>1,436,838</u>
<b>Total</b>	<u>\$ 3,815,000</u>	<u>\$ 1,243,353</u>	<u>\$ 5,058,353</u>

**2001 A Lease Revenue Bonds**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 250,000	\$ 249,763	\$ 499,763
2013	260,000	236,056	496,056
2014	275,000	221,678	496,678
2015	290,000	206,494	496,494
2016	305,000	190,503	495,503
2017-2021	1,785,000	684,466	2,469,466
2022-2026	<u>1,785,000</u>	<u>183,875</u>	<u>1,968,875</u>
<b>Total</b>	<u>\$ 4,950,000</u>	<u>\$ 1,972,835</u>	<u>\$ 6,922,835</u>

**2008 Lease Revenue Bonds**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 645,000	\$ 324,521	\$ 969,521
2013	670,000	298,221	968,221
2014	695,000	270,921	965,921
2015	725,000	242,521	967,521
2016	755,000	211,411	966,411
2017-2021	<u>4,290,000</u>	<u>509,724</u>	<u>4,799,724</u>
<b>Total</b>	<u>\$ 7,780,000</u>	<u>\$ 1,857,319</u>	<u>\$ 9,637,319</u>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**TOTAL GOVERNMENT ACTIVITIES**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 1,270,000	\$ 780,794	\$ 2,050,794
2013	1,315,000	726,865	2,041,865
2014	1,375,000	670,132	2,045,132
2015	1,375,000	611,616	1,986,616
2016	1,430,000	550,052	1,980,052
2017-2021	7,885,000	1,696,600	9,581,600
2022-2026	3,180,000	313,513	3,493,513
<b>Total</b>	<b>\$ 17,830,000</b>	<b>\$ 5,349,572</b>	<b>\$ 23,179,572</b>

**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, 2011 was \$51,000.

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. The outstanding principal balance of the bonds at June 30, 2011 was \$8,115,000.

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 the bonds as of June 30, 2011, was \$425,000.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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, accrued at 2.0%, 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 reimbursed for expenses directly or indirectly incurred as stated in the contract with SWRCB. As of June 30, 2011, the outstanding principal balance of the loan was \$5,513,057.

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, 2011 was \$604,250. 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 \$238,336 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, 2011 was \$46,614.

Business-type Long-Term Liabilities Bond Amortization

<b>General Obligation Bonds</b>			
<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 6,000	\$ 2,550	\$ 8,550
2013	7,000	2,250	9,250
2014	7,000	1,900	8,900
2015	7,000	1,550	8,550
2016	8,000	1,200	9,200
2017-2021	16,000	1,200	17,200
<b>Total</b>	\$ 51,000	\$ 10,650	\$ 61,650

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**2002 B Revenue Bonds**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 325,000	\$ 395,154	\$ 720,154
2013	335,000	381,744	716,744
2014	350,000	367,398	717,398
2015	365,000	352,204	717,204
2016	380,000	336,373	716,373
2017-2021	2,200,000	1,368,793	3,568,793
2022-2026	2,815,000	734,325	3,549,325
2027-2031	1,345,000	71,531	1,416,531
<b>Total</b>	<b>\$ 8,115,000</b>	<b>\$ 4,007,522</b>	<b>\$ 12,122,522</b>

**2004 C Revenue Bonds**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 210,000	\$ 11,248	\$ 221,248
2013	215,000	3,655	218,655
<b>Total</b>	<b>\$ 425,000</b>	<b>\$ 14,903</b>	<b>\$ 439,903</b>

**State Revolving Fund Loan**

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 432,663	\$ 159,879	\$ 592,542
2013	445,211	147,331	592,542
2014	458,121	134,421	592,542
2015	471,407	121,135	592,542
2016	485,078	107,464	592,542
2017-2021	2,644,736	317,973	2,962,709
2022-2026	575,841	16,699	592,540
<b>Total</b>	<b>\$ 5,513,057</b>	<b>\$ 1,004,902</b>	<b>\$ 6,517,959</b>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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<b>SDWSRF Loan Payable</b>			
<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ -	\$ -	\$ -
2013	-	-	-
2014	23,613	14,970	38,583
2015	24,208	14,375	38,583
2016	24,817	13,766	38,583
2017-2021	133,778	59,138	192,916
2022-2026	151,485	41,431	192,916
2027-2031	171,537	21,379	192,916
2032-2033	74,812	2,354	77,166
<b>Total</b>	<b>\$ 604,250</b>	<b>\$ 167,413</b>	<b>\$ 771,663</b>

<b>TOTAL BUSINESS TYPE ACTIVITIES</b>			
<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 973,663	\$ 568,831	\$ 1,542,494
2013	1,002,211	534,980	1,537,191
2014	838,734	518,689	1,357,423
2015	867,615	489,264	1,356,879
2016	897,895	458,803	1,356,698
2017-2021	4,994,514	1,747,104	6,741,618
2022-2026	3,542,327	792,455	4,334,782
2027-2031	1,516,536	92,910	1,609,446
2032-2033	74,812	2,354	77,166
<b>Total</b>	<b>\$ 14,708,307</b>	<b>\$ 5,205,390</b>	<b>\$ 19,913,697</b>

**NOTE 7: 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, 2011, the outstanding principal amount of the bonds was \$4,355,000. The bonds mature in September 2034.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 8: OPERATING LEASES**

The Town has commitments to lease certain office equipment. The total rent expense as of June 30, 2011 was \$24,012. Future minimum rental commitments for equipment operating leases as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>		
2012	\$	32,580
2013		32,580
2014		13,824
2015		9,216
Total	\$	88,200

**NOTE 9: 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 which 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, 2011 was 11.281% 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.

Annual Pension Cost

For the fiscal year ended June 30, 2011, the Town's annual pension cost (employer contribution) of \$795,843 for miscellaneous employees was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75% 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.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Three Year Trend Information for PERS</b>			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 699,548	100%	-
2010	\$ 735,332	100%	-
2011	\$ 795,843	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.

**NOTE 10: 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.

For the year ended June 30, 2011, the Town had nine retired employees. The Town currently has 96 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, 2011, the Town is currently funding the benefits on a pay-as-you-go basis.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2011, the Town's annual cost for the healthcare plan was \$76,233. The Town's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2011 were as follows:

Annual required contribution	
Service cost	54,000
30-year amortization of unfunded liability	24,000
Interest	5,300
Amortization of net OPEB obligation	<u>(7,067)</u>
 Total annual required contribution	 76,233
 Employer contributions	 (65,402)
 Net pension obligation at July 1, 2010	 <u>\$ 106,000</u>
 Net pension obligation at June 30, 2011	 <u><u>\$ 116,831</u></u>

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
6/30/2009	\$ 65,000	\$ 13,000	20%	\$ 52,000
6/30/2010	69,000	\$ 15,000	22%	106,000
6/30/2011	76,233	\$ 65,402	86%	116,831

Fiscal year 2009 was the year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The Town has elected to implement the statement prospectively.

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 2009 actuarial valuation, the entry age normal cost method was used. The initial UAAL was amortized as a level percent of payroll over a closed 30-year period, with rolling 15-year amortizations for gains/losses. Age-based claim costs were developed separately for Blue Cross and Kaiser. The actuarial assumptions included a 4.5% discount rate, a 3.75% merit increase, and a 3.5% inflation rate. Predictive retirement age was 59.9 and benefits were calculated at 2% @ 55. Mortality, withdrawal, and disability were based on a CalPERS 1997-2002 experience study.



**TOWN OF WINDSOR**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 11: 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.

**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.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**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, 2011, the amount is \$3,028,616, included in the unassigned balance.

**Investment Earnings**

Investment earnings follow the classification of the revenues invested.

Fund balances classifications at June 30, 2011 were:

	General Fund	Capital Replacement Fund	RDA Low and Moderate Income Housing Fund	RDA Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>						
Advances to other funds	\$ 453,332	\$ -	\$ -	\$ -	\$ 1,100,000	\$ 1,553,332
Prepaid expenses	-	-	-	-	440	440
Inventory	47,368	-	-	-	60,521	107,889
<b>Total nonspendable:</b>	<b>500,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,160,961</b>	<b>1,661,661</b>
<b>Restricted:</b>						
Strong motion	5,884	-	-	-	-	5,884
Replacing oak trees	18,638	-	-	-	-	18,638
Pool creek maintenance	8,512	-	-	-	-	8,512
RDA low and moderate housing	-	-	6,155,656	-	-	6,155,656
Gas tax	-	-	-	-	1,116,167	1,116,167
Transportation grant	-	-	-	-	355,876	355,876
Transportation development act	-	-	-	-	40,096	40,096
Mobile home rent stabilization	-	-	-	-	18,790	18,790
Lighting and landscape	-	-	-	-	19,438	19,438
Storm drain maintenance	-	-	-	-	106,869	106,869
Abandoned vehicle abatement	-	-	-	-	37,724	37,724
Public education	-	-	-	-	118,142	118,142
Public facilities	-	-	-	-	763,621	763,621
RDA debt service	-	-	-	-	5,165,419	5,165,419
<b>Total Restricted:</b>	<b>33,034</b>	<b>-</b>	<b>6,155,656</b>	<b>-</b>	<b>7,742,142</b>	<b>13,930,832</b>
<b>Assigned:</b>						
Capital replacement	-	10,323,635	-	-	-	10,323,635
RDA capital projects	-	-	-	2,143,848	-	2,143,848
Asset forfeiture	4,404	-	-	-	-	4,404
Grant special revenue	225,645	-	-	-	-	225,645
Strong motion	98	-	-	-	-	98
Replacing oak trees	241	-	-	-	-	241
Pool creek maintenance	83	-	-	-	-	83
Gas tax	-	-	-	-	8,468	8,468
Transportation development act	-	-	-	-	692	692
Mobile home rent stabilization	-	-	-	-	232	232
Lighting and landscape	-	-	-	-	479,436	479,436
Storm drain maintenance	-	-	-	-	400	400
Public education	-	-	-	-	915	915
Park development	-	-	-	-	435,762	435,762
Traffic mitigation projects	-	-	-	-	234,709	234,709
Drainage mitigation	-	-	-	-	5,393,562	5,393,562
Fire mitigation	-	-	-	-	472,033	472,033
Debt service	-	-	-	-	3,294,329	3,294,329
<b>Total Assigned:</b>	<b>230,471</b>	<b>10,323,635</b>	<b>-</b>	<b>2,143,848</b>	<b>10,320,538</b>	<b>23,018,492</b>
<b>Unassigned:</b>	<b>9,613,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(328,257)</b>	<b>9,285,444</b>
<b>\$</b>	<b>10,377,906</b>	<b>\$ 10,323,635</b>	<b>\$ 6,155,656</b>	<b>\$ 2,143,848</b>	<b>\$ 18,895,384</b>	<b>\$ 47,896,429</b>

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 12: TRANSACTIONS WITH THE STATE OF CALIFORNIA**

SERAF Shift for fiscal year 2009-10 and 2010-11

On July 23, 2009, the State adopted legislation requiring a shift of monies during fiscal years 2009-10 and 2010-11 to be deposited into the County “Supplemental” Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State’s Proposition 98 obligations to schools.

The payment of the SERAF was due on May 10, 2011, for fiscal year 2010-11 and it was made in the amount of \$287,650.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State’s budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter.

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

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the constitutionality of Assembly Bill XI 26, the dissolution measure, and determined Assembly Bill XI 27, the measure conditioning further redevelopment agency operation on additional payments to state funds benefitting schools and special districts, as invalid.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012.

**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.

**TOWN OF WINDSOR**  
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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.

Audited condensed financial information for REMIF for the fiscal year ended June 30, 2011 was as follows:

Total Assets	\$	17,941,577
Total Liabilities		<u>14,408,878</u>
Net Assets	\$	<u>3,532,699</u>
Total Revenues	\$	9,159,160
Total Expenses		<u>10,976,106</u>
Change in Net Assets	\$	<u>(1,816,946)</u>

The Town maintains its general liability, property, and workers' compensation insurance costs in the Risk Management Fund, an internal service fund. Payment 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, 2011, 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, 2011, the principal balance of the bonds were \$4,015,000.

**NOTE 15: DEFICIT FUND BALANCES**

As of June 30, 2011, the Community Development Block Grant Fund had a deficit balance of \$328,257. This deficit will be financed through future revenues of the fund.

**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.

**TOWN OF WINDSOR**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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: EXCESS OF EXPENDITURES OVER FUND APPROPRIATIONS**

	Appropriation	Expenditures	Excess
General Fund			
Parks	\$ -	\$ 30	\$ (30)
RDA Low and Moderate Income Housing			
General government	-	2,531	(2,531)
Housing	254,532	323,724	(69,192)

The excess expenditures for fiscal 2011 were funded by available financial resources.

**NOTE 18: SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through January 11, 2012, the date the financial statements were deemed available for issuance.

As discussed in Note 12, on August 3, 2011, the Town Council unanimously passed a motion by title only, an ordinance authorizing the Town to make certain remittances to the County Auditor Controller in accordance with Health and Safety Code Section 34194 and to take all other actions required in order to continue redevelopment activities in the Town of Windsor. This motion indicates that the Town will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 were upheld as constitutional.

On August 25, 2011, the Town of Windsor Redevelopment Agency adopted Resolution No. 2831-11 adopting an Enforceable Obligation Payment Schedule (EOPS). On September 27, 2011, the Town of Windsor Redevelopment Agency adopted Resolution No. 2844-11 adopting an Amended Enforceable Obligation Payment Schedule (EOPS). The amended schedule is available to the public.

On or about September 29, 2011 a Complaint for Declaratory and Injunctive Relief and Petition for Writ of Mandate was filed by the City of Cerritos and its Agency on behalf of several state redevelopment agencies, including the Redevelopment Agency of the Town of Windsor, challenging the constitutionality of Assembly Bill X1 26 and 27. This action was filed with the Sacramento Superior Court.

On December 29, 2011, the California Supreme Court upheld the constitutionality of Assembly Bill XI 26, the dissolution measure, and determined Assembly Bill XI 27, the measure conditioning further redevelopment agency operation on additional payments to state funds benefitting schools and special districts, as invalid.

**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, 2011**

	<b>2010-2011</b>		<b>2011 Actual</b>	<b>Variance with</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Positive</b>
				<b>(Negative)</b>
<b><u>REVENUES</u></b>				
Property taxes	\$ 3,217,400	\$ 3,217,400	\$ 3,632,773	\$ 415,373
Sales taxes	3,141,900	3,141,900	2,961,269	(180,631)
Other taxes	3,707,900	3,707,900	4,037,386	329,486
Licenses, permits and fees	480,200	480,200	506,322	26,122
Fines and forfeitures	53,000	53,000	44,731	(8,269)
Rental income	67,800	67,800	64,913	(2,887)
Use of money and property	103,500	103,500	13,139	(90,361)
Intergovernmental	110,700	110,700	105,360	(5,340)
Charges for services	611,900	611,900	577,787	(34,113)
Other revenues	41,500	41,500	138,619	97,119
	<u>11,535,800</u>	<u>11,535,800</u>	<u>12,082,299</u>	<u>546,499</u>
Total Revenues				
<b><u>EXPENDITURES</u></b>				
General administration	1,468,590	1,470,090	1,460,793	9,297
Public safety	5,791,645	5,853,601	5,395,362	458,239
Public works	608,803	660,303	657,047	3,256
Community development	2,929,548	2,947,839	2,647,085	300,754
Parks	-	-	30	(30)
Capital outlay	782,000	868,100	213,516	654,584
	<u>11,580,586</u>	<u>11,799,933</u>	<u>10,373,833</u>	<u>1,426,100</u>
Total Expenditures				
Excess of revenues over expenditures	<u>(44,786)</u>	<u>(264,133)</u>	<u>1,708,466</u>	<u>1,972,599</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	634,013	634,013	634,013	-
Transfers out	(1,746,808)	(1,794,793)	(1,746,808)	47,985
	<u>(1,112,795)</u>	<u>(1,160,780)</u>	<u>(1,112,795)</u>	<u>47,985</u>
Total other financing sources (uses)				
Net change in fund balance	<u>\$ (1,157,581)</u>	<u>\$ (1,424,913)</u>	595,671	<u>\$ 2,020,584</u>
Fund balance - July 1, 2010, as restated			<u>9,782,235</u>	
Fund balance - June 30, 2011			<u>\$ 10,377,906</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, 2011**

	<b>2010-2011</b>		<b>2011 Actual</b>	<b>Variance with</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Positive</b>
				<b>(Negative)</b>
<b><u>REVENUES</u></b>				
Use of money and property	\$ 100,078	\$ 100,078	\$ 92,406	\$ (7,672)
Total Revenues	<u>100,078</u>	<u>100,078</u>	<u>92,406</u>	<u>(7,672)</u>
<b><u>EXPENDITURES</u></b>				
Public safety	52,030	52,030	37,913	14,117
Capital outlay	<u>30,000</u>	<u>156,650</u>	<u>19,917</u>	<u>136,733</u>
Total Expenditures	<u>82,030</u>	<u>208,680</u>	<u>57,830</u>	<u>150,850</u>
Net change in fund balance	<u>\$ 18,048</u>	<u>\$ (108,602)</u>	34,576	<u>\$ 143,178</u>
Fund balance - July 1, 2010			<u>10,289,059</u>	
Fund balance - June 30, 2011			<u>\$ 10,323,635</u>	



**TOWN OF WINDSOR**  
**REDEVELOPMENT AGENCY HOUSING SET-ASIDE SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>2010-2011 Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b><u>REVENUES</u></b>				
Property tax increment revenue	\$ 623,275	\$ 623,275	\$ 611,664	\$ (11,611)
Use of money and property	13,679	13,679	-	(13,679)
Other revenues	-	-	56,367	56,367
Total Revenues	<u>636,954</u>	<u>636,954</u>	<u>668,031</u>	<u>31,077</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General government	-	-	2,531	(2,531)
Community development	1,885,470	1,892,220	1,685,843	206,377
Housing	254,532	254,532	323,724	(69,192)
Capital outlay	-	-	-	-
Total Expenditures	<u>2,140,002</u>	<u>2,146,752</u>	<u>2,012,098</u>	<u>134,654</u>
Excess (deficiency) of revenues over expenditures	<u>(1,503,048)</u>	<u>(1,509,798)</u>	<u>(1,344,067)</u>	<u>165,731</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds from loan	-	-	1,683,958	1,683,958
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,683,958</u>	<u>1,683,958</u>
Net change in fund balance	<u>\$ (1,503,048)</u>	<u>\$ (1,509,798)</u>	339,891	<u>\$ 1,849,689</u>
Fund balance - July 1, 2010			<u>5,815,765</u>	
Fund balance - June 30, 2011			<u>\$ 6,155,656</u>	

**TOWN OF WINDSOR  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR CaIPERS 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
6/30/08**	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
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**			** 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%

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 one year is presented in the schedule at this time. In future years, required trend data will be presented.

**SUPPLEMENTARY INFORMATION**

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## **GENERAL FUNDS**

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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, 2011**

	General Fund	Asset Forfeiture	Grant Special Revenue Fund - Police	Strong Motion	Tree Removal Mitigation	Pool Creek Maintenance	Total General Funds
<b><u>ASSETS</u></b>							
Cash and cash equivalents	\$ 8,196,071	\$ 3,845	\$ 121,614	\$ 3,744	\$ 11,177	\$ 6,208	\$ 8,342,659
Restricted cash and cash equivalents	267,335	92	11,514	496	1,279	395	281,111
Investments	1,368,210	462	92,325	2,485	6,411	1,985	1,471,878
Accounts receivable	1,139,299	-	-	-	-	-	1,139,299
Interest receivable	9,992	5	192	3	12	7	10,211
Advances to other funds	453,332	-	-	-	-	-	453,332
Due from other funds	179,550	-	-	-	-	-	179,550
Prepaid expenses	-	-	-	-	-	-	-
Inventory	47,368	-	-	-	-	-	47,368
Notes receivable	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 11,661,157</b>	<b>\$ 4,404</b>	<b>\$ 225,645</b>	<b>\$ 6,728</b>	<b>\$ 18,879</b>	<b>\$ 8,595</b>	<b>\$ 11,925,408</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>(DEFICITS)</u></b>							
<b>LIABILITIES</b>							
Accounts payable	1,343,366	-	-	-	-	-	1,343,366
Accrued expenditures	141,239	-	-	746	-	-	141,985
Deferred revenue	-	-	-	-	-	-	-
Deposits Payable	62,151	-	-	-	-	-	62,151
Advanced from other funds	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,546,756</b>	<b>-</b>	<b>-</b>	<b>746</b>	<b>-</b>	<b>-</b>	<b>1,547,502</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	500,700	-	-	-	-	-	500,700
Restricted	-	-	-	5,884	18,638	8,512	33,034
Designated	-	-	-	-	-	-	-
Assigned	-	4,404	225,645	98	241	83	230,471
Unassigned	9,613,701	-	-	-	-	-	9,613,701
<b>Total Fund Balances (Deficits)</b>	<b>10,114,401</b>	<b>4,404</b>	<b>225,645</b>	<b>5,982</b>	<b>18,879</b>	<b>8,595</b>	<b>10,377,906</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 11,661,157</b>	<b>\$ 4,404</b>	<b>\$ 225,645</b>	<b>\$ 6,728</b>	<b>\$ 18,879</b>	<b>\$ 8,595</b>	<b>\$ 11,925,408</b>

**TOWN OF WINDSOR**  
**GENERAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2011**

	General Fund	Asset Forfeiture	Grant Special Revenue Fund - Police	Strong Motion	Tree Removal Mitigation	Pool Creek Maintenance	Total General Funds
<b><u>REVENUES</u></b>							
Property taxes	\$ 3,632,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,632,773
Sales taxes	2,961,269	-	-	-	-	-	2,961,269
Other taxes	4,037,386	-	-	-	-	-	4,037,386
Licenses, permits and fees	506,322	-	-	-	-	-	506,322
Fines and forfeitures	44,731	-	-	-	-	-	44,731
Rental Income	64,913	-	-	-	-	-	64,913
Program income	-	-	-	-	-	-	-
Investment earnings	10,634	30	2,053	98	241	83	13,139
Intergovernmental	105,319	-	-	41	-	-	105,360
Charges for services	577,787	-	-	-	-	-	577,787
Other revenue	138,619	-	-	-	-	-	138,619
Total Revenues	<u>\$ 12,079,753</u>	<u>\$ 30</u>	<u>\$ 2,053</u>	<u>\$ 139</u>	<u>\$ 241</u>	<u>\$ 83</u>	<u>\$ 12,082,299</u>
<b><u>EXPENDITURES</u></b>							
General administration	1,460,791	-	-	2	-	-	1,460,793
Public safety	5,394,140	-	-	-	1,222	-	5,395,362
Public works	657,047	-	-	-	-	-	657,047
Community development	2,642,132	-	-	-	4,953	-	2,647,085
Parks	30	-	-	-	-	-	30
Streets and Roads	-	-	-	-	-	-	-
Drainage	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Capital outlay	213,516	-	-	-	-	-	213,516
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total Expenditures	<u>10,367,656</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>6,175</u>	<u>-</u>	<u>10,373,833</u>
Excess (deficiency) of revenues over expenditures	1,712,097	30	2,053	137	(5,934)	83	1,708,466
<b><u>OTHER FINANCING SOURCES (USES)</u></b>							
Transfers in	634,013	-	-	-	-	-	634,013
Transfers out	(1,746,808)	-	-	-	-	-	(1,746,808)
Total other financing sources (uses)	<u>(1,112,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,112,795)</u>
Net change in fund balance	599,302	30	2,053	137	(5,934)	83	595,671
Fund balances (deficits) - July 1, 2010	9,515,099	4,374	223,592	5,845	24,813	8,512	9,782,235
Fund balances (deficits) - June 30, 2011	<u>\$ 10,114,401</u>	<u>\$ 4,404</u>	<u>\$ 225,645</u>	<u>\$ 5,982</u>	<u>\$ 18,879</u>	<u>\$ 8,595</u>	<u>\$ 10,377,906</u>

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## **NON-MAJOR GOVERNMENTAL FUNDS**

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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.

**CAPITAL PROJECT FUNDS**

Traffic Mitigation

This fund accounts for developer fees for the construction and implementation of improvements to the transportation system sufficient to accommodate the traffic volumes generated from new development.

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.

Redevelopment Agency Debt Service

This fund is used to account for property tax revenue used for the debt service activities of the Redevelopment Agency of the Town of Windsor.

**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2011**

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Mobile Home Rent Stabilization	Lighting and Landscape Assessment
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 915,866	\$ 367,473	\$ 68,752	\$ 10,273	\$ 362,976
Restricted cash and cash equivalents	28,965	-	4,265	1,476	44,139
Investments	144,461	(133)	21,082	7,274	228,809
Accounts receivable	111,947	37,999	-	-	27,502
Interest receivable	1,544	-	21	(1)	449
Advances to other funds	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Inventory	53,800	-	-	-	-
Notes receivable	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,256,583</b>	<b>\$ 405,339</b>	<b>\$ 94,120</b>	<b>\$ 19,022</b>	<b>\$ 663,875</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>(DEFICITS)</u></b>					
<b>LIABILITIES</b>					
Accounts payable	64,892	49,463	-	-	160,475
Accrued expenditures	13,256	-	-	-	23,964
Deferred revenue	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Advanced from other funds	-	-	53,332	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>78,148</b>	<b>49,463</b>	<b>53,332</b>	<b>-</b>	<b>184,439</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	53,800	-	-	-	-
Restricted	1,116,167	355,876	40,096	18,790	-
Committed	-	-	-	-	-
Assigned	8,468	-	692	232	479,436
Unassigned	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>1,178,435</b>	<b>355,876</b>	<b>40,788</b>	<b>19,022</b>	<b>479,436</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 1,256,583</b>	<b>\$ 405,339</b>	<b>\$ 94,120</b>	<b>\$ 19,022</b>	<b>\$ 663,875</b>

**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2011**

	Lighting and Landscape Assessment #2	1982 Benefits Assessment District	Abandoned Vehicle Abatement	Public Education and Government Grant
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 20,306	\$ 107,651	\$ 32,870	\$ 94,529
Restricted cash and cash equivalents	-	-	-	2,314
Investments	-	-	-	11,588
Accounts receivable	-	-	4,882	14,359
Interest receivable	25	118	-	109
Advances to other funds	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory	-	-	-	-
Notes receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ 20,331</b>	<b>\$ 107,769</b>	<b>\$ 37,752</b>	<b>\$ 122,899</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>(DEFICITS)</u></b>				
<b>LIABILITIES</b>				
Accounts payable	65	500	28	3,444
Accrued expenditures	828	-	-	398
Deferred revenue	-	-	-	-
Deposits Payable	-	-	-	-
Advanced from other funds	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>893</b>	<b>500</b>	<b>28</b>	<b>3,842</b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	-	-
Restricted	19,438	106,869	37,724	118,142
Committed	-	-	-	-
Assigned	-	400	-	915
Unassigned	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>19,438</b>	<b>107,269</b>	<b>37,724</b>	<b>119,057</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 20,331</b>	<b>\$ 107,769</b>	<b>\$ 37,752</b>	<b>\$ 122,899</b>

**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2011**

	Community Development Block Grant	Public Facilities	RDA - Debt Service	Traffic Mitigation Fund
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 270,087	\$ 5,928,305	\$ 556,357
Restricted cash and cash equivalents	-	81,611	143,500	131,756
Investments	(87)	411,661	-	653,189
Accounts receivable	-	-	-	-
Interest receivable	-	262	6,614	(103)
Advances to other funds	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	440	-
Inventory	-	6,721	-	-
Notes receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ (87)</b>	<b>\$ 770,342</b>	<b>\$ 6,078,859</b>	<b>\$ 1,341,199</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>(DEFICITS)</u></b>				
<b>LIABILITIES</b>				
Accounts payable	328,080	-	-	3,263
Accrued expenditures	-	-	-	3,227
Deferred revenue	-	-	-	-
Deposits Payable	-	-	-	-
Advanced from other funds	-	-	913,000	1,100,000
Due to other funds	90	-	-	-
<b>Total Liabilities</b>	<b>328,170</b>	<b>-</b>	<b>913,000</b>	<b>1,106,490</b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	6,721	440	-
Restricted	-	763,621	5,165,419	-
Committed	-	-	-	-
Assigned	-	-	-	234,709
Unassigned	(328,257)	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>(328,257)</b>	<b>770,342</b>	<b>5,165,859</b>	<b>234,709</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ (87)</b>	<b>\$ 770,342</b>	<b>\$ 6,078,859</b>	<b>\$ 1,341,199</b>

**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2011**

	Park Development	Drainage Mitigation	Fire Mitigation	Debt Service	Total Non-major Governmental Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ (1,497,907)	\$ 1,526,342	\$ 472,033	\$ 1,270,843	10,506,756
Restricted cash and cash equivalents	625,844	646,396	-	1,992,653	3,702,919
Investments	1,314,202	3,234,078	-	27,236	6,053,360
Accounts receivable	25,553	-	-	-	222,242
Interest receivable	(889)	(358)	-	3,597	11,388
Advances to other funds	-	1,100,000	-	-	1,100,000
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	440
Inventory	-	-	-	-	60,521
Notes receivable	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 466,803</b>	<b>\$ 6,506,458</b>	<b>\$ 472,033</b>	<b>\$ 3,294,329</b>	<b>\$ 21,657,626</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>(DEFICITS)</u></b>					
<b>LIABILITIES</b>					
Accounts payable	27,942	6,117	-	-	644,269
Accrued expenditures	3,099	6,779	-	-	51,551
Deferred revenue	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Advanced from other funds	-	-	-	-	2,066,332
Due to other funds	-	-	-	-	90
<b>Total Liabilities</b>	<b>31,041</b>	<b>12,896</b>	<b>-</b>	<b>-</b>	<b>2,762,242</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	-	1,100,000	-	-	1,160,961
Restricted	-	-	-	-	7,742,142
Committed	-	-	-	-	-
Assigned	435,762	5,393,562	472,033	3,294,329	10,320,538
Unassigned	-	-	-	-	(328,257)
<b>Total Fund Balances (Deficits)</b>	<b>435,762</b>	<b>6,493,562</b>	<b>472,033</b>	<b>3,294,329</b>	<b>18,895,384</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 466,803</b>	<b>\$ 6,506,458</b>	<b>\$ 472,033</b>	<b>\$ 3,294,329</b>	<b>\$ 21,657,626</b>

**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**JUNE 30, 2011**

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Mobile Home Rent Stabilization	Lighting and Landscape Assessment
<b><u>REVENUES</u></b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,124
Sales taxes	-	-	-	-	-
Other Taxes	-	-	-	-	869,272
Licenses, permits and fees	-	-	-	13,511	-
Fines and forfeitures	-	-	-	-	-
Rental Income	-	-	-	-	-
Program income	-	-	-	-	-
Investment earnings	10,866	-	692	232	(5,313)
Intergovernmental	734,723	591,356	823,470	-	-
Charges for services	-	-	-	-	-
Other revenue	51,402	-	-	-	-
Total Revenues	<u>\$ 796,991</u>	<u>\$ 591,356</u>	<u>\$ 824,162</u>	<u>\$ 13,743</u>	<u>\$ 865,083</u>
<b><u>EXPENDITURES</u></b>					
General administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	1,673,317
Community development	-	-	-	-	-
Parks	-	-	-	-	-
Streets and Roads	655,565	232,597	823,469	-	-
Drainage	-	-	-	-	-
Housing	-	-	-	-	-
Capital outlay	14,210	75,764	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>669,775</u>	<u>308,361</u>	<u>823,469</u>	<u>-</u>	<u>1,673,317</u>
Excess (deficiency) of revenues over expenditures	<u>127,216</u>	<u>282,995</u>	<u>693</u>	<u>13,743</u>	<u>(808,234)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	-	-	858,616
Transfers out	-	-	-	-	-
Proceeds from loan	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>858,616</u>
Net change in fund balance	127,216	282,995	693	13,743	50,382
Fund balances (deficits) - July 1, 2010	1,051,219	72,881	40,095	5,279	429,054
Fund balances (deficits) - June 30, 2011	<u>\$ 1,178,435</u>	<u>\$ 355,876</u>	<u>\$ 40,788</u>	<u>\$ 19,022</u>	<u>\$ 479,436</u>

**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**JUNE 30, 2011**

	Lighting and Landscape Assessment #2	1982 Benefits Assessment District	Abandoned Vehicle Abatement	Public Education and Government Grant
<b><u>REVENUES</u></b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Other Taxes	(9,612)	-	-	-
Licenses, permits and fees	-	89,103	-	-
Fines and forfeitures	-	-	-	-
Rental Income	-	-	-	-
Program income	-	-	-	-
Investment earnings	(51)	400	-	915
Intergovernmental	-	-	21,483	56,550
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>\$ (9,663)</u>	<u>\$ 89,503</u>	<u>\$ 21,483</u>	<u>\$ 57,465</u>
<b><u>EXPENDITURES</u></b>				
General administration	-	-	-	47,398
Public safety	-	-	24,462	-
Public works	-	-	-	-
Community development	21,374	-	-	-
Parks	-	-	-	-
Streets and Roads	-	21,661	-	-
Drainage	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>21,374</u>	<u>21,661</u>	<u>24,462</u>	<u>47,398</u>
Excess (deficiency) of revenues over expenditures	<u>(31,037)</u>	<u>67,842</u>	<u>(2,979)</u>	<u>10,067</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from loan	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(31,037)	67,842	(2,979)	10,067
Fund balances (deficits) - July 1, 2010	50,475	39,427	40,703	108,990
Fund balances (deficits) - June 30, 2011	<u>\$ 19,438</u>	<u>\$ 107,269</u>	<u>\$ 37,724</u>	<u>\$ 119,057</u>

**TOWN OF WINDSOR**  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
JUNE 30, 2011

	Community Development Block Grant	Public Facilities	RDA - Debt Service	Traffic Mitigation Fund
<b><u>REVENUES</u></b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Other Taxes	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Rental Income	-	-	-	-
Program income	-	-	-	-
Investment earnings	-	9,782	3,466	23,761
Intergovernmental	42,325	-	-	-
Charges for services	-	-	-	7,547
Other revenue	-	-	-	31,130
Total Revenues	<u>\$ 42,325</u>	<u>\$ 9,782</u>	<u>\$ 3,466</u>	<u>\$ 62,438</u>
<b><u>EXPENDITURES</u></b>				
General administration	82	2,121	-	-
Public safety	-	-	-	-
Public works	-	-	-	524
Community development	-	-	-	-
Parks	-	-	-	-
Streets and Roads	-	-	-	141,414
Drainage	-	-	-	-
Housing	-	-	-	-
Capital outlay	310,048	-	-	81,281
Debt service:				
Principal	-	-	360,000	-
Interest	-	-	226,704	-
Total Expenditures	<u>310,130</u>	<u>2,121</u>	<u>586,704</u>	<u>223,219</u>
Excess (deficiency) of revenues over expenditures	<u>(267,805)</u>	<u>7,661</u>	<u>(583,238)</u>	<u>(160,781)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	-	-
Transfers out	-	(241,056)	(1,507,781)	-
Proceeds from loan	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(241,056)</u>	<u>(1,507,781)</u>	<u>-</u>
Net change in fund balance	(267,805)	(233,395)	(2,091,019)	(160,781)
Fund balances (deficits) - July 1, 2010	(60,452)	1,003,737	7,256,878	395,490
Fund balances (deficits) - June 30, 2011	<u>\$ (328,257)</u>	<u>\$ 770,342</u>	<u>\$ 5,165,859</u>	<u>\$ 234,709</u>



**TOWN OF WINDSOR**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**JUNE 30, 2011**

	Park Development	Drainage Mitigation	Fire Mitigation	Debt Service	Total Non-major Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,124
Sales taxes	-	-	-	-	-
Other Taxes	-	-	-	-	859,660
Licenses, permits and fees	-	-	-	-	102,614
Fines and forfeitures	-	-	-	-	-
Rental Income	-	-	-	-	-
Program income	-	-	-	-	-
Investment earnings	33,859	85,395	13	20,641	184,658
Intergovernmental	-	-	-	-	2,269,907
Charges for services	72,168	-	36,102	-	115,817
Other revenue	2	-	-	-	82,534
Total Revenues	\$ 106,029	\$ 85,395	\$ 36,115	\$ 20,641	\$ 3,616,314
<b>EXPENDITURES</b>					
General administration	-	-	-	-	49,601
Public safety	-	-	-	-	24,462
Public works	-	186	-	-	1,674,027
Community development	-	-	-	-	21,374
Parks	325,630	-	-	-	325,630
Streets and Roads	-	-	-	-	1,874,706
Drainage	-	224,351	-	-	224,351
Housing	-	-	-	-	-
Capital outlay	1,841,068	88,311	-	21,524	2,432,206
Debt service:					
Principal	-	-	-	855,000	1,215,000
Interest	-	-	-	619,457	846,161
Total Expenditures	2,166,698	312,848	-	1,495,981	8,687,518
Excess (deficiency) of revenues over expenditures	(2,060,669)	(227,453)	36,115	(1,475,340)	(5,071,204)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	1,509,997	2,368,613
Transfers out	-	-	-	-	(1,748,837)
Proceeds from loan	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,509,997	619,776
Net change in fund balance	(2,060,669)	(227,453)	36,115	34,657	(4,451,428)
Fund balances (deficits) - July 1, 2010	2,496,431	6,721,015	435,918	3,259,672	23,346,812
Fund balances (deficits) - June 30, 2011	\$ 435,762	\$ 6,493,562	\$ 472,033	\$ 3,294,329	\$ 18,895,384

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## **PROPRIETARY FUNDS**

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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 ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<b>Water Reclamation</b>			
	<b>Operating</b>	<b>Capital Replacement</b>	<b>Capital</b>	
<b><u>ASSETS</u></b>				
Current Assets				
Cash and cash equivalents	\$ 8,260,865	\$ 4,941,346	\$ (1,517,501)	\$ 11,684,710
Investments	-	-	1,581,752	1,581,752
Accounts receivable	1,303,056	-	25,069	1,328,125
Interest receivable	8,687	5,623	7,140	21,450
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory	6,429	-	-	6,429
<b>Total Current Assets</b>	<b>9,579,037</b>	<b>4,946,969</b>	<b>96,460</b>	<b>14,622,466</b>
Non-Current Assets				
Advances to other funds	913,000	-	-	913,000
Restricted cash and cash equivalents	-	69,955	433,257	503,212
Deferred issuance costs, net	177,536	-	-	177,536
Capital assets, net of accumulated depreciation	57,617,922	-	-	57,617,922
<b>Total Non-Current Assets</b>	<b>58,708,458</b>	<b>69,955</b>	<b>433,257</b>	<b>59,211,670</b>
<b>Total Assets</b>	<b>\$ 68,287,495</b>	<b>\$ 5,016,924</b>	<b>\$ 529,717</b>	<b>\$ 73,834,136</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable	\$ 473,819	\$ 66,871	\$ 135,159	\$ 675,849
Accrued liabilities	116,651	2,100	43	118,794
Accrued interest payable	7,014	-	165,516	172,530
Deposits payable	42,248	-	-	42,248
Advances to other funds	-	-	-	-
Due to other funds	-	-	-	-
Long term liabilities - current portion	219,250	-	591,913	811,163
<b>Total Current Liabilities</b>	<b>858,982</b>	<b>68,971</b>	<b>892,631</b>	<b>1,820,584</b>
Non-Current Liabilities				
Compensated absences	113,150	5,665	-	118,815
Loans payable	-	-	5,080,394	5,080,394
Bonds payable	331,732	-	3,823,268	4,155,000
<b>Total Non-Current Liabilities</b>	<b>444,882</b>	<b>5,665</b>	<b>8,903,662</b>	<b>9,354,209</b>
<b>Total Liabilities</b>	<b>1,303,864</b>	<b>74,636</b>	<b>9,796,293</b>	<b>11,174,793</b>
<b><u>NET ASSETS:</u></b>				
Invested in capital assets, net of related debt	57,066,940	-	(9,495,575)	47,571,365
Unrestricted	9,916,691	4,942,288	228,999	15,087,978
<b>Total Net Assets</b>	<b>66,983,631</b>	<b>4,942,288</b>	<b>(9,266,576)</b>	<b>62,659,343</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 68,287,495</b>	<b>\$ 5,016,924</b>	<b>\$ 529,717</b>	<b>\$ 73,834,136</b>

**TOWN OF WINDSOR**  
**COMBINING STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	Water			Totals
	Operating	Capital Replacement	Capital	
<b><u>ASSETS</u></b>				
Current Assets				
Cash and cash equivalents	\$ 3,616,517	\$ 3,804,226	\$ (1,892,171)	\$ 5,528,572
Investments	-	-	5,814,128	5,814,128
Accounts receivable	869,581	56,508	53,612	979,701
Interest receivable	3,851	4,165	5,020	13,036
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory	58,441	-	-	58,441
<b>Total Current Assets</b>	<b>4,548,390</b>	<b>3,864,899</b>	<b>3,980,589</b>	<b>12,393,878</b>
Non-Current Assets				
Advances to other funds	-	-	-	-
Restricted cash and cash equivalents	-	-	1,141,127	1,141,127
Deferred issuance costs, net	60,800	-	-	60,800
Capital assets, net of accumulated depreciation	22,867,847	-	-	22,867,847
<b>Total Non-Current Assets</b>	<b>22,928,647</b>	<b>-</b>	<b>1,141,127</b>	<b>24,069,774</b>
<b>Total Assets</b>	<b>\$ 27,477,037</b>	<b>\$ 3,864,899</b>	<b>\$ 5,121,716</b>	<b>\$ 36,463,652</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable	\$ 242,525	\$ 11,846	\$ 36,090	\$ 290,461
Accrued liabilities	86,105	853	459	87,417
Accrued interest payable	956	-	50,801	51,757
Deposits payable	42,848	-	-	42,848
Advances from other funds	-	-	-	-
Due to other funds	-	-	-	-
Long term liabilities - current portion	3,250	-	159,250	162,500
<b>Total Current Liabilities</b>	<b>375,684</b>	<b>12,699</b>	<b>246,600</b>	<b>634,983</b>
Non-Current Liabilities				
Compensated absences	110,929	1,867	2,453	115,249
Loans payable	-	302,125	302,125	604,250
Bonds payable	71,732	-	3,823,268	3,895,000
<b>Total Non-Current Liabilities</b>	<b>182,661</b>	<b>303,992</b>	<b>4,127,846</b>	<b>4,614,499</b>
<b>Total Liabilities</b>	<b>558,345</b>	<b>316,691</b>	<b>4,374,446</b>	<b>5,249,482</b>
<b><u>NET ASSETS:</u></b>				
Invested in capital assets, net of related debt	22,792,865	(302,125)	(4,284,643)	18,206,097
Unrestricted	4,125,827	3,850,333	5,031,913	13,008,073
<b>Total Net Assets</b>	<b>26,918,692</b>	<b>3,548,208</b>	<b>747,270</b>	<b>31,214,170</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 27,477,037</b>	<b>\$ 3,864,899</b>	<b>\$ 5,121,716</b>	<b>\$ 36,463,652</b>

**TOWN OF WINDSOR**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	<b>Water Reclamation</b>			<b>Totals</b>
	<b>Operating</b>	<b>Capital Replacement</b>	<b>Capital</b>	
<b><u>OPERATING REVENUES</u></b>				
Charges for services, net of refunds	\$ 7,131,875	\$ -	\$ 22,823	\$ 7,154,698
Other revenue	238,049	-	3,346	241,395
<b>Total Operating Revenue</b>	<b>7,369,924</b>	<b>-</b>	<b>26,169</b>	<b>7,396,093</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and benefits	2,645,189	48,220	84,974	2,778,383
Materials, supplies, and operational expenses	1,007,696	-	-	1,007,696
Repairs and maintenance	418,469	-	-	418,469
Insurance	70,221	-	-	70,221
Contractual services	1,201,418	-	-	1,201,418
Taxes and licenses	31,665	-	-	31,665
Utilities	681,866	-	-	681,866
Depreciation	1,795,966	-	-	1,795,966
<b>Total Operating Expenses</b>	<b>7,852,490</b>	<b>48,220</b>	<b>84,974</b>	<b>7,985,684</b>
<b>Operating Income (Loss)</b>	<b>(482,566)</b>	<b>(48,220)</b>	<b>(58,805)</b>	<b>(589,591)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Amortization expense	(42,814)	-	-	(42,814)
Rental income	238,800	-	26,440	265,240
Grant revenue	-	-	-	-
Interest income	42,219	28,545	26,826	97,590
Interest expense	(398,129)	-	-	(398,129)
Property taxes	12,716	-	-	12,716
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(147,208)</b>	<b>28,545</b>	<b>53,266</b>	<b>(65,397)</b>
<b>Income Before Contributions and Transfers</b>	<b>(629,774)</b>	<b>(19,675)</b>	<b>(5,539)</b>	<b>(654,988)</b>
<b><u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u></b>				
Transfers in	5,182,445	1,500,000	879,000	7,561,445
Transfers out	(1,598,323)	(2,789,967)	(3,156,621)	(7,544,911)
Capital contributions	-	-	-	-
<b>Total Transfers and Capital Contributions</b>	<b>3,584,122</b>	<b>(1,289,967)</b>	<b>(2,277,621)</b>	<b>16,534</b>
<b>Change in net assets</b>	<b>2,954,348</b>	<b>(1,309,642)</b>	<b>(2,283,160)</b>	<b>(638,454)</b>
<b>Total Net Assets - July 1, 2010</b>	<b>64,029,283</b>	<b>6,251,930</b>	<b>(6,983,416)</b>	<b>63,297,797</b>
<b>Total Net Assets - June 30, 2011</b>	<b>\$ 66,983,631</b>	<b>\$ 4,942,288</b>	<b>\$ (9,266,576)</b>	<b>\$ 62,659,343</b>

**TOWN OF WINDSOR**  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2011

	Water			Totals
	Operating	Capital Replacement	Capital	
<b><u>OPERATING REVENUES</u></b>				
Charges for services, net of refunds	\$ 5,274,174	\$ -	\$ 95,277	\$ 5,369,451
Other revenue	87,675	-	3,836	91,511
<b>Total Operating Revenue</b>	<b>5,361,849</b>	<b>-</b>	<b>99,113</b>	<b>5,460,962</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and benefits	2,488,388	43,633	60,311	2,592,332
Materials, supplies, and operational expenses	1,408,828	9,028	2,545	1,420,401
Repairs and maintenance	323,720	-	372,889	696,609
Insurance	70,221	-	-	70,221
Contractual services	248,430	-	-	248,430
Taxes and licenses	12,424	-	-	12,424
Utilities	259,936	-	-	259,936
Depreciation	1,052,176	-	-	1,052,176
<b>Total Operating Expenses</b>	<b>5,864,123</b>	<b>52,661</b>	<b>435,745</b>	<b>6,352,529</b>
<b>Operating Income (Loss)</b>	<b>(502,274)</b>	<b>(52,661)</b>	<b>(336,632)</b>	<b>(891,567)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Amortization expense	(3,800)	-	-	(3,800)
Rental income	-	-	-	-
Grant revenue	-	26,806	26,806	53,612
Interest income	19,436	17,315	123,145	159,896
Interest expense	(203,926)	(2,545)	-	(206,471)
Property taxes	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(188,290)</b>	<b>41,576</b>	<b>149,951</b>	<b>3,237</b>
<b>Income Before Contributions and Transfers</b>	<b>(690,564)</b>	<b>(11,085)</b>	<b>(186,681)</b>	<b>(888,330)</b>
<b><u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u></b>				
Transfers in	686,979	800,000	-	1,486,979
Transfers out	(908,866)	(353,694)	(218,428)	(1,480,988)
Capital contributions	-	-	-	-
<b>Total Transfers and Capital Contributions</b>	<b>(221,887)</b>	<b>446,306</b>	<b>(218,428)</b>	<b>5,991</b>
<b>Change in net assets</b>	<b>(912,451)</b>	<b>435,221</b>	<b>(405,109)</b>	<b>(882,339)</b>
<b>Total Net Assets - July 1, 2010</b>	<b>27,831,143</b>	<b>3,112,987</b>	<b>1,152,379</b>	<b>32,096,509</b>
<b>Total Net Assets - June 30, 2011</b>	<b>\$ 26,918,692</b>	<b>\$ 3,548,208</b>	<b>\$ 747,270</b>	<b>\$ 31,214,170</b>

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## **AGENCY FUNDS**

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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.

**TOWN OF WINDSOR**  
**COMBINING STATEMENT OF NET ASSETS**  
**AGENCY FUNDS**  
**JUNE 30, 2011**

	<b>Bonita Roble Trust Fund</b>	<b>Brooks Special Assessment Construction Fund</b>	<b>Mitchell Shiloh Conde Assessment District</b>	<b>In-Lieu Agency Fund</b>	<b>Performance Bond Fund</b>	<b>Golf Course Fund</b>	<b>Miscellaneous Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>								
Cash and cash equivalents	\$ 13,556	\$ 906	\$ 515,066	\$ 177,450	\$ 241,279	\$ (32,601)	\$ 110,072	\$ 1,025,728
Investments	4,301	-	381,551	13,566	35,584	32,286	66,429	533,717
Accounts receivable	-	-	-	-	-	-	225	225
Interest receivable	14	-	-	199	3	-	21	237
Restricted cash and cash equivalents	855	-	77,375	2,678	7,124	6,485	13,219	107,736
<b>Total Assets</b>	<b>\$ 18,726</b>	<b>\$ 906</b>	<b>\$ 973,992</b>	<b>\$ 193,893</b>	<b>\$ 283,990</b>	<b>\$ 6,170</b>	<b>\$ 189,966</b>	<b>\$ 1,667,643</b>
<b><u>LIABILITIES</u></b>								
Accounts payable	\$ -	\$ -	\$ (4)	\$ -	\$ 2,000	\$ 17	\$ 27,775	\$ 29,788
Deposits payable	18,726	-	-	177,318	281,990	6,153	157,541	641,728
Due to special assessment districts	-	906	973,996	16,575	-	-	4,650	996,127
<b>Total Liabilities</b>	<b>\$ 18,726</b>	<b>\$ 906</b>	<b>\$ 973,992</b>	<b>\$ 193,893</b>	<b>\$ 283,990</b>	<b>\$ 6,170</b>	<b>\$ 189,966</b>	<b>\$ 1,667,643</b>



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

To the Town Council of  
the Town of Windsor  
Windsor, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor (the "Town"), as of and for the year ended June 30, 2011, which collectively comprise the Town of Windsor's basic financial statements and have issued our report thereon dated January 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town in a separate letter dated January 11, 2012.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

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