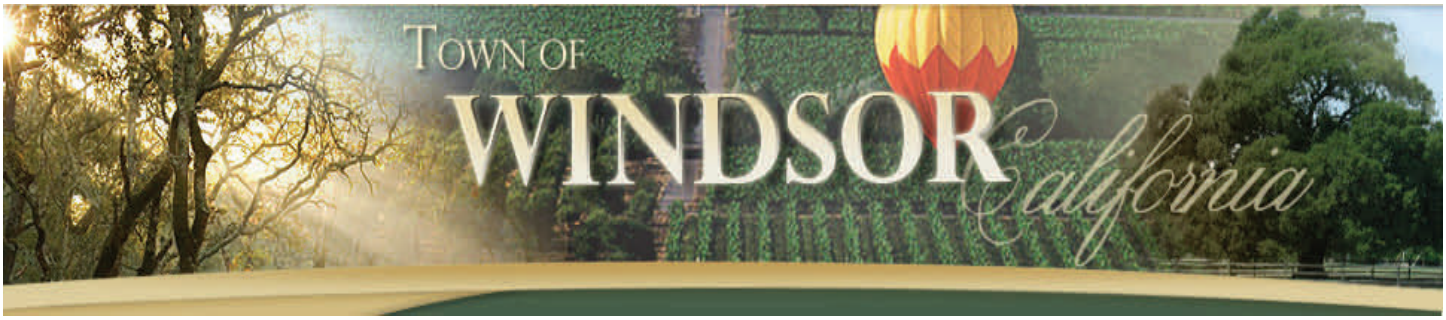


ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2008
WITH
INDEPENDENT AUDITOR'S REPORT
AND
SUPPLEMENTARY INFORMATION



TOWN OF WINDSOR
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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TOWN OF WINDSOR
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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, 2008, 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 Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, 2008, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2008 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 10 are not a required part of the basic financial statements but are supplementary information required by 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 no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windsor's basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mann Urrutia Nelson CPAs

Sacramento, CA
October 16, 2008

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Christine L. Collins, EA

Kriss Ann Mann, CPA CCPS • Justin J. Williams, CPA

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, 2008. 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.

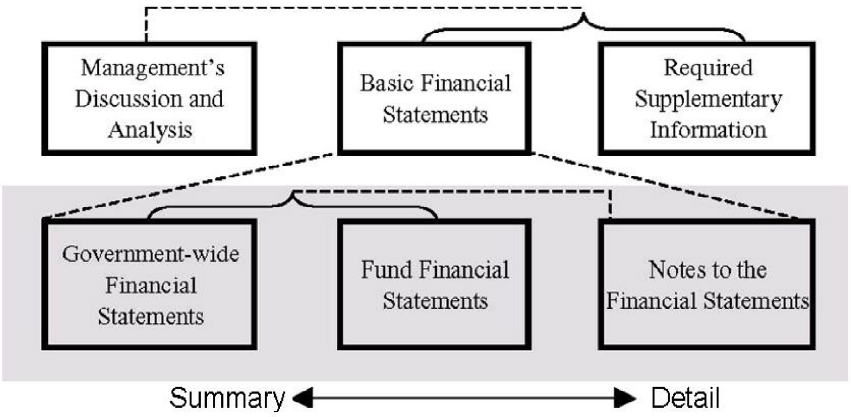
FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $260,915,791 (net assets). Of this amount, $66,326,406 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by $7,235,733 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 $45,458,162, an decrease of $2,025,909, after expenditures for capital projects. Approximately $33,883,071 or 75% of the ending fund balances are available for spending at the Town's discretion (unreserved fund balance).
- The Town's total long-term liabilities decreased by $1,362,695 (4%) during the fiscal year. The decrease was a result of normal maturity of existing debt.

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.

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



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).

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-three 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, Traffic Mitigation Capital Projects Fund, Drainage Mitigation Capital Projects Fund, and the RDA – Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET ASSETS

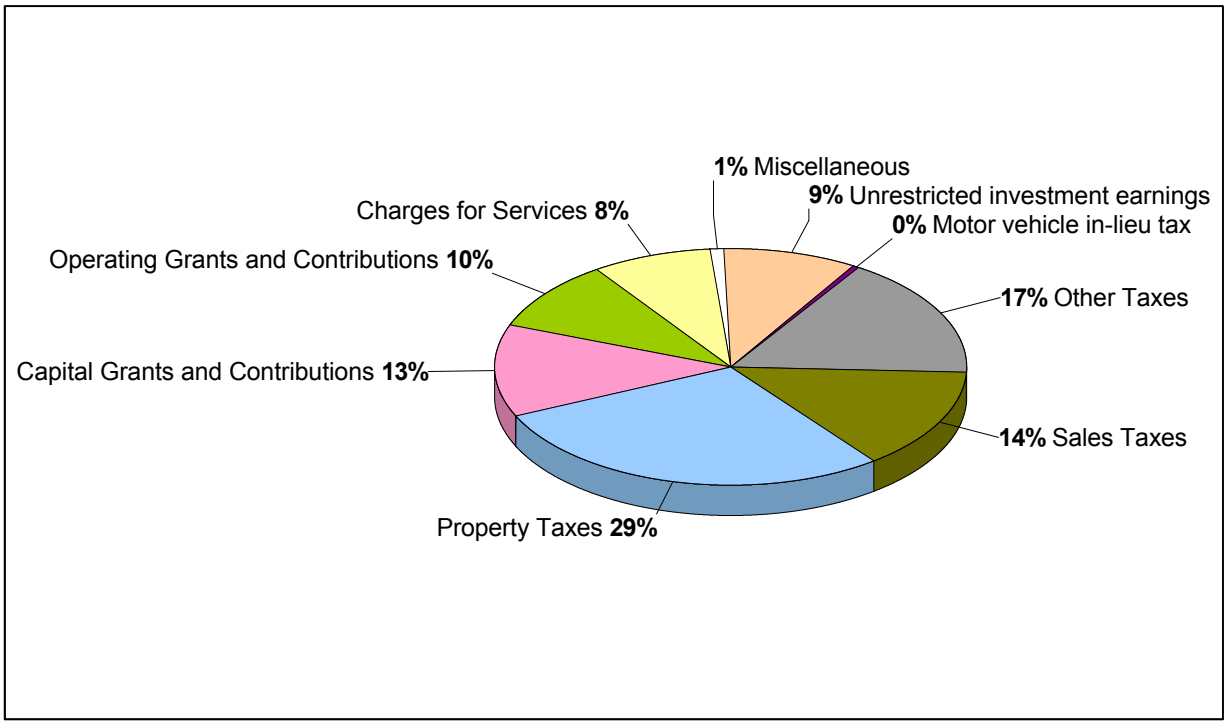
JUNE 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total Government	
ASSETS	2008	2007	2008	2007	2008	2007
Current and other assets	$ 52,917,241	$ 54,312,684	$ 35,624,232	$ 33,893,148	$ 88,541,473	$ 88,205,832
Capital assets	132,470,593	126,431,367	75,683,792	74,839,180	208,154,385	201,270,547
Total assets	185,387,834	180,744,051	111,308,024	108,732,328	296,695,858	289,476,379
LIABILITIES						
Current liabilities	3,650,794	3,228,375	2,804,306	1,821,162	6,455,100	5,049,537
Long-term liabilities	13,197,062	13,728,725	16,127,905	17,018,059	29,324,967	30,746,784
Total liabilities	16,847,856	16,957,100	18,932,211	18,839,221	35,780,067	35,796,321
NET ASSETS						
Invested in capital assets, net of related debt	118,905,593	112,326,367	75,683,792	74,839,180	194,589,385	187,165,547
Unrestricted	49,634,385	51,460,584	16,692,021	15,053,927	66,326,406	66,514,511
Total net assets	$168,539,978	$163,786,951	$ 92,375,813	$ 89,893,107	$260,915,791	$253,680,058

By far the largest portion of the Town's net assets (74%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

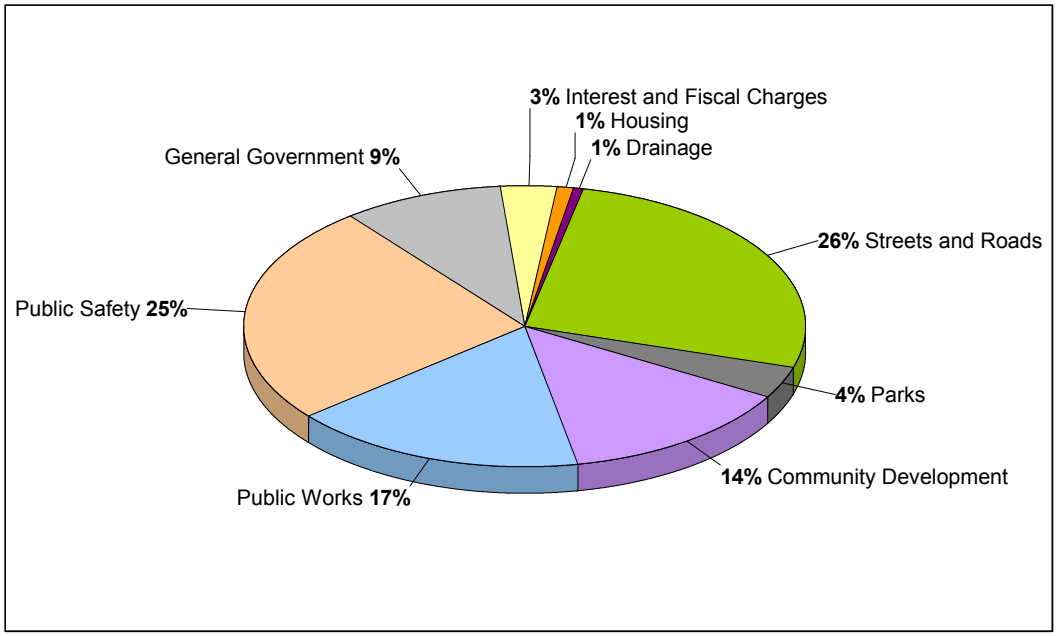
Governmental activities: Significant revenues of the governmental activities are taxes (60%), which include property taxes, sales taxes, and other taxes. Program revenues are 31% of the total revenues of the governmental activities, which include charges for services, operating contributions and grants, and capital contributions and grants.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2008

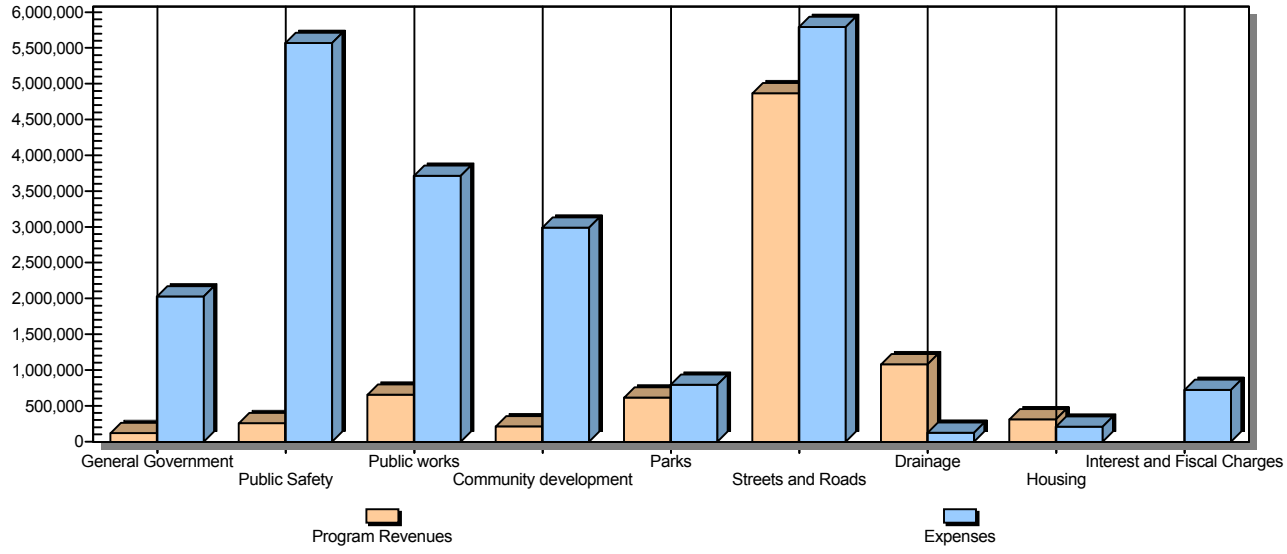


As for expenses, streets and roads are the most significant (26%) of all governmental activities expenses, followed by public safety (25%), public works (17%), community development and recreation (14%), general government (9%), parks (4%), interest on long-term liabilities (3%), and various other programs (2%). Included in these amounts is depreciation expense, which is 15% of the total expenses for governmental activities.

EXPENSES BY FUNCTION/PROGRAM - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2008



COMPARISON OF EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2008
(in dollars)



Business-type activities: In the fiscal year ended June 30, 2008 business-type activities increased the Town's net assets by $2,482,706. Key elements of this change are as follows:

Charges for services increased by $1,771,884 due to a scheduled fee increase during the year.

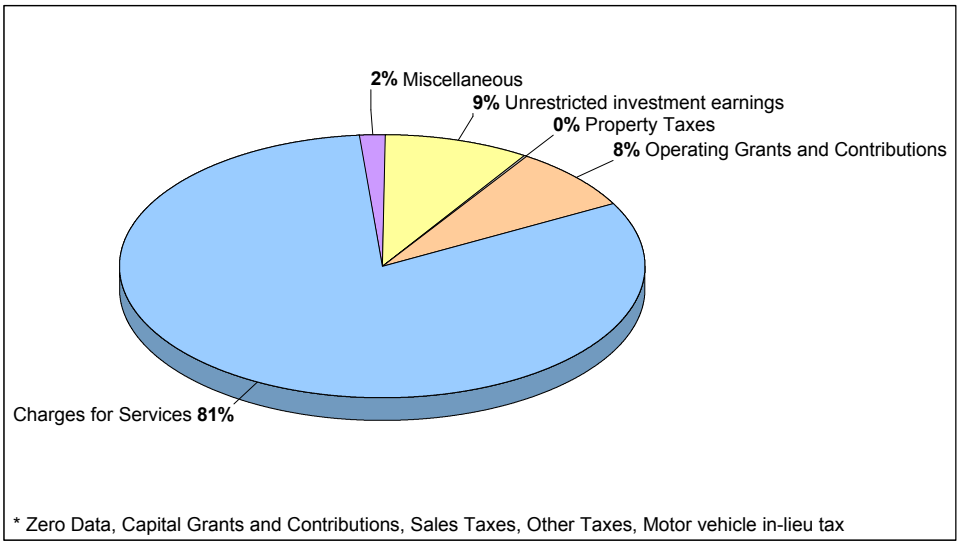
Operating expenses increased by $2,478,552. Materials, supplies and operational expense accounted for 48% of the increase.

Unrestricted investment earnings increased by $384,740 primarily due to more aggressive investments than in the previous year.

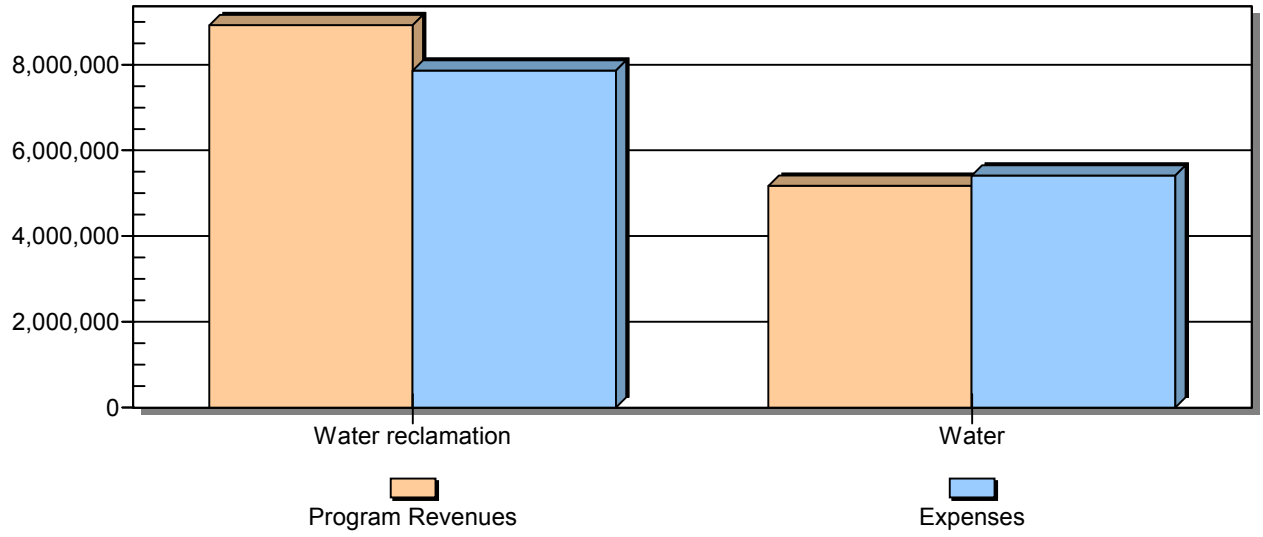
CHANGE IN NET ASSETS - BUSINESS - TYPE ACTIVITIES

REVENUES	2008	2007
Program revenues:		
Charges for services	$ 12,862,347	$ 11,090,463
Capital grants and contributions	1,234,573	820,818
General revenues:		
Property taxes	28,437	26,950
Unrestricted investment earnings	1,404,362	1,019,622
Miscellaneous	255,048	142,600
Total Revenues	15,784,767	13,100,453
EXPENSES		
Water reclamation	7,865,161	6,743,212
Water utility	5,415,766	4,059,163
Total Expenses	13,280,927	10,802,375
Excess before transfer	2,503,840	2,298,078
Transfer out	(21,134)	(44,041)
Increase in net assets	$ 2,482,706	$ 2,254,037

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2008



COMPARISON OF EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2008
(in dollars)



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, 2008, the Town's governmental funds reported total ending fund balance of $45,458,162, an decrease of $2,025,909 from the prior fiscal year. Approximately 75% of the total ending fund balances constituted unreserved 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.

General fund revenues were $98,765 less than in the prior fiscal year, and expenditures increased by $387,811. An increase in tax revenues accounted for a significant portion of an increase in revenues. Licenses, permits, fees, and sales tax revenue offset this increase with a large decrease. Public safety and community development accounted for most of the increase in general fund 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 increased $464,331 in the 2007-08 fiscal year. While operating revenue increased by $633,585, operating expenses decreased by $38,238. The increase in net assets was primarily attributable to the increased service related charges.

The Water Reclamation Utility's net assets increased $2,018,375 in the current fiscal year. Total revenue from operations increased by $2,149,986, and related expenses increased by $850,688. The net asset increase was primarily attributable to the increased service related charges.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Town's investment in capital assets for its governmental and business-type activities at June 30, 2008, amounted to $208,154,385 (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 $6,210,898.

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land	$ 32,310,417	$ 32,310,417	$ 6,893,707	$ 6,893,707
Rights of way	377	360	-	-
Construction in progress	14,579,486	9,947,211	4,140,412	1,902,504
Buildings	4,957,402	5,092,123	-	-
Improvements other than buildings	8,477,442	8,114,265	-	-
Equipment and machinery	260,734	144,789	513,863	592,668
Infrastructure	71,518,473	70,462,969	63,594,453	65,074,166
Vehicles	366,262	359,233	541,357	376,135
Total	$ 132,470,593	$ 126,431,367	$ 75,683,792	$ 74,839,180

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

Long-term liabilities - The Town's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled $30,843,603 at June 30, 2008. Of this total $13,784,074, or 45% was in governmental activities and $17,059,529, or 55% was in business-type activities. The Town's outstanding long-term liabilities decreased by $1,362,695 4% in fiscal year 2008.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
General obligation bonds	$ -	$ -	$ 125,000	$ 154,000
Revenue bonds	5,635,000	5,845,000	10,035,000	10,500,000
Tax allocation bonds	7,930,000	8,260,000	-	-
Notes and loans payable	-	-	6,739,250	7,125,162
Compensated absences	219,074	185,691	160,279	136,445
Total	$ 13,784,074	$ 14,290,691	$ 17,059,529	$ 17,915,607

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a $13,236 increase in appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2008. Additional budget figures are shown on page 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Town budget for the fiscal year 2008-09, the Town Council and management were conservative as to the projected growth of revenues and expenditures. Continuing uncertainty in the economy and the flattening of primary revenues remains a primary concern. Property tax and sales tax revenue were estimated to grow approximately 1.5% and 2.8% respectively.

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	$ 38,824,535	$ 24,518,335	$ 63,342,870
Investments (Note 2)	8,378,329	7,432,616	15,810,945
Accounts receivable	1,369,160	2,131,234	3,500,394
Interest receivable	266,605	173,669	440,274
Notes receivable (Note 3)	3,180,774	-	3,180,774
Internal balances	(913,000)	913,000	-
Prepaid expenses	47,974	12,756	60,730
Inventory	73,547	64,310	137,857
Land held for redevelopment (Note 4)	355,214	-	355,214
Deferred charges, net of accumulated amortization (Note 7)	1,334,103	378,312	1,712,415
Capital assets (Note 6)			
Land and construction in progress	46,890,280	11,034,119	57,924,399
Other capital assets, net of depreciation	85,580,313	64,649,673	150,229,986
Total capital assets	132,470,593	75,683,792	208,154,385
Total Assets	$ 185,387,834	$ 111,308,024	$ 296,695,858
LIABILITIES			
Accounts payable	$ 2,529,692	$ 1,458,870	$ 3,988,562
Accrued liabilities	339,352	77,080	416,432
Accrued interest payable	119,580	249,580	369,160
Deposits payable	75,158	87,152	162,310
Accrued compensated absences (Note 7):			
Due within one year	27,012	19,521	46,533
Due in more than one year	192,062	140,758	332,820
Long-term liabilities (Note 7):			
Due within one year	560,000	912,103	1,472,103
Due in more than one year	13,005,000	15,987,147	28,992,147
Total Liabilities	16,847,856	18,932,211	35,780,067
NET ASSETS			
Invested in capital assets, net of related debt	118,905,593	75,683,792	194,589,385
Unrestricted	49,634,385	16,692,021	66,326,406
Total Net Assets	168,539,978	92,375,813	260,915,791
Total Liabilities and Net Assets	$ 185,387,834	$ 111,308,024	$ 296,695,858

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	$ 2,029,742	$ 44,325	$ 73,483	$ -	$ (1,911,934)	$ -	$ (1,911,934)
Public safety	5,569,891	132,786	123,617	-	(5,313,488)	-	(5,313,488)
Public works	3,715,061	653,153	-	-	(3,061,908)	-	(3,061,908)
Community development	2,986,940	210,919	-	-	(2,776,021)	-	(2,776,021)
Parks	792,405	213,279	47,155	353,297	(178,674)	-	(178,674)
Streets and roads	5,791,252	404,381	2,318,173	2,143,534	(925,164)	-	(925,164)
Drainage	121,711	219,634	-	859,809	957,732	-	957,732
Housing	206,649	310,434	-	-	103,785	-	103,785
Interest and fiscal charges	720,087	-	-	-	(720,087)	-	(720,087)
Total governmental activities	21,933,738	2,188,911	2,562,428	3,356,640	(13,825,759)	-	(13,825,759)
Business-type activities:							
Water reclamation	7,865,161	8,219,696	703,199	-	-	1,057,734	1,057,734
Water	5,415,766	4,642,651	531,374	-	-	(241,741)	(241,741)
Total business-type activities	13,280,927	12,862,347	1,234,573	-	-	815,993	815,993
Total primary government	$ 35,214,665	$ 15,051,258	$ 3,797,001	$ 3,356,640	$ (13,825,759)	$ 815,993	$ (13,009,766)
General revenues:							
Property taxes					$ 7,608,843	$ 28,437	$ 7,637,280
Sales taxes					3,707,837	-	3,707,837
Other taxes					4,427,692	-	4,427,692
Motor vehicle in-lieu tax					112,738	-	112,738
Unrestricted investment earnings					2,439,005	1,404,362	3,843,367
Miscellaneous					261,537	255,048	516,585
Transfers					21,134	(21,134)	-
Total general revenues and transfers					18,578,786	1,666,713	20,245,499
Change in net assets					4,753,027	2,482,706	7,235,733
Net assets - July 1, 2007					163,786,951	89,893,107	253,680,058
Net assets - June 30, 2008					$ 168,539,978	$ 92,375,813	$ 260,915,791

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Capital Replace-ment Fund	Drainage Mitigation Fund	Traffic Mitigation Fund	RDA - Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS							
Cash and cash equivalents	$ 6,738,700	$ 8,344,710	$ 3,744,546	$ 1,200,867	$ 7,292,336	$ 11,503,376	$ 38,824,535
Investments	1,274,330	1,712,805	2,544,764	472,491	-	2,373,939	8,378,329
Accounts receivable	820,383	-	-	-	11,341	537,436	1,369,160
Interest receivable	45,232	56,553	32,689	10,575	44,933	76,623	266,605
Notes receivable	-	-	-	-	-	3,180,774	3,180,774
Due from other funds	950,819	-	1,100,000	-	-	-	2,050,819
Prepaid expenses	17,031	-	-	-	1,565	29,378	47,974
Inventory	73,547	-	-	-	-	-	73,547
Land held for redevelopment	-	-	-	-	-	355,214	355,214
Total Assets	$ 9,920,042	$ 10,114,068	$ 7,421,999	$ 1,683,933	$ 7,350,175	$ 18,056,740	$ 54,546,957
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$ 1,919,001	$ 26,514	$ 2,189	$ 11,661	$ 1,750	$ 568,577	$ 2,529,692
Accrued liabilities	98,795	-	77,232	77,533	-	85,792	339,352
Deferred revenue	-	-	-	-	-	3,180,774	3,180,774
Deposits payable	75,158	-	-	-	-	-	75,158
Due to other funds	-	-	-	1,100,000	913,000	950,819	2,963,819
Total Liabilities	2,092,954	26,514	79,421	1,189,194	914,750	4,785,962	9,088,795
FUND BALANCES							
Reserved for:							
Land held for resale	-	-	-	-	-	355,214	355,214
Low and moderate housing	-	-	-	-	-	2,616,269	2,616,269
Debt service	-	-	-	-	6,433,860	(2,592)	6,431,268
Advances to other funds	950,819	-	1,100,000	-	-	-	2,050,819
Inventory	73,547	-	-	-	-	-	73,547
Prepaid expenditures	17,031	-	-	-	1,565	29,378	47,974
Unreserved:							
General fund	6,785,691	-	-	-	-	-	6,785,691
Special revenue funds	-	10,087,554	-	-	-	1,774,904	11,862,458
Capital projects funds	-	-	6,242,578	494,739	-	8,497,605	15,234,922
Total Fund Balances	7,827,088	10,087,554	7,342,578	494,739	6,435,425	13,270,778	45,458,162
Total Liabilities and Fund Balances	$ 9,920,042	$ 10,114,068	$ 7,421,999	$ 1,683,933	$ 7,350,175	$ 18,056,740	$ 54,546,957

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, 2008

Total fund balances of governmental funds	$	45,458,162
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 $43,887,775		132,470,593
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.		3,180,774
Long-term liabilities and compensated absences are not due in the current period and, therefore are not reported in the governmental funds.		
Long-term liabilities		(13,565,000)
Compensated absences		(219,074)
Deferred charges, net of accumulated amortization of $82,275 for debt issuance costs and discounts on long-term liabilities are expensed when incurred and, therefore are not reported in the governmental funds.		1,334,103
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds.		(119,580)
Net assets of governmental activities	$	168,539,978

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, 2008

	General Fund	Capital Replacement Fund	Drainage Mitigation Fund	Traffic Mitigation Fund	RDA - Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
REVENUES							
Property taxes	$ 4,297,452	$ -	$ -	$ -	$2,647,820	$ 663,571	$ 7,608,843
Sales taxes	3,707,837	-	-	-	-	-	3,707,837
Other taxes	3,696,173	-	-	-	-	844,257	4,540,430
License, permits, and fees	576,289	-	-	-	-	-	576,289
Fines and forfeitures	37,423	-	-	-	-	-	37,423
Rental income	88,994	-	-	-	-	-	88,994
Use of property	-	-	-	-	-	310,434	310,434
Investment earnings	317,844	467,980	455,208	119,177	253,955	824,841	2,439,005
Intergovernmental	101,007	25,000	-	-	-	2,436,421	2,562,428
Charges for services	573,782	-	219,634	403,821	-	339,665	1,536,902
Other revenues	88,113	-	-	-	-	173,424	261,537
Total Revenues	13,484,914	492,980	674,842	522,998	2,901,775	5,592,613	23,670,122
EXPENDITURES							
General administration	1,571,554	66,045	-	-	-	89,313	1,726,912
Public safety	5,276,261	-	-	-	-	41,651	5,317,912
Public works	783,765	-	689,770	542	-	1,590,833	3,064,910
Community development	2,992,260	-	-	-	-	426,577	3,418,837
Parks	-	-	-	-	-	114,889	114,889
Streets and roads	-	-	-	158,417	-	1,812,318	1,970,735
Drainage	-	-	121,711	-	-	-	121,711
Housing	-	-	-	-	-	206,649	206,649
Capital outlay	301,544	47,767	2,042,146	2,277,751	-	3,923,493	8,592,701
Debt service:							
Principal	-	-	-	-	330,000	210,000	540,000
Interest and fiscal charges	-	-	-	-	347,208	294,701	641,909
Total Expenditures	10,925,384	113,812	2,853,627	2,436,710	677,208	8,710,424	25,717,165
Excess (deficiency) of revenues over expenditures	2,559,530	379,168	(2,178,785)	(1,913,712)	2,224,567	(3,117,811)	(2,047,043)
OTHER FINANCING SOURCES (USES)							
Transfers in	893,878	1,898,000	-	-	-	1,480,332	4,272,210
Transfers out	(3,249,583)	-	-	-	(749,858)	(251,635)	(4,251,076)
Total other financing sources (uses)	(2,355,705)	1,898,000	-	-	(749,858)	1,228,697	21,134
Net change in fund balance	203,825	2,277,168	(2,178,785)	(1,913,712)	1,474,709	(1,889,114)	(2,025,909)
Fund balances - July 1, 2007	7,623,263	7,810,386	9,521,363	2,408,451	4,960,716	15,159,892	47,484,071
Fund balances - June 30, 2008	$ 7,827,088	$ 10,087,554	$ 7,342,578	$ 494,739	$6,435,425	$ 13,270,778	$ 45,458,162

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

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	$	(2,025,909)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:		
Capital asset purchases		5,888,777
Depreciation expense		(3,206,191)
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.		3,356,640
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Bond principal payments		540,000
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.		(33,383)
Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the Statement of Net Assets		
Amortization of bond issuance costs		(82,275)
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		672,402
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.		4,097
Revenue not recognized in the governmental funds in the prior year were accrued in the statement of net assets as they were earned but not received.		(361,131)
Change in net assets of governmental activities	$	4,753,027

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	$17,748,113	$ 6,770,222	$ 24,518,335
Investments	1,698,152	5,734,464	7,432,616
Accounts receivable	1,275,093	856,141	2,131,234
Interest receivable	117,133	56,536	173,669
Prepaid expenses	6,417	6,339	12,756
Inventory	5,107	59,203	64,310
Total Current Assets	20,850,015	13,482,905	34,332,920
Non Current Assets			
Due from other funds	913,000	-	913,000
Deferred issuance costs, net	306,112	72,200	378,312
Capital assets, net of accumulated depreciation	53,800,996	21,882,796	75,683,792
Total Non Current Assets	55,020,108	21,954,996	76,975,104
Total Assets	$75,870,123	$35,437,901	$ 111,308,024
LIABILITIES			
Current Liabilities			
Accounts payable	$ 1,214,066	$ 244,804	$ 1,458,870
Accrued liabilities	40,462	36,618	77,080
Accrued interest payable	194,874	54,706	249,580
Deposits payable	43,576	43,576	87,152
Long term liabilities - current portion	776,105	155,519	931,624
Total Current Liabilities	2,269,083	535,223	2,804,306
Non Current Liabilities			
Compensated absences	78,771	61,987	140,758
Loans payable	6,342,147	-	6,342,147
Bonds payable	5,283,000	4,362,000	9,645,000
Total Non Current Liabilities	11,703,918	4,423,987	16,127,905
Total Liabilities	13,973,001	4,959,210	18,932,211
NET ASSETS:			
Invested in capital assets, net of related debt	53,800,996	17,365,277	75,683,792
Unrestricted	8,096,126	13,113,414	16,692,021
Total Net Assets	61,897,122	30,478,691	92,375,813
Total Liabilities and Net Assets	$75,870,123	$35,437,901	$ 111,308,024

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
OPERATING REVENUES			
Charges for services, net of refunds	$ 8,067,818	$ 4,642,651	$ 12,710,469
Other revenue	199,974	55,074	255,048
Total Operating Revenue	8,267,792	4,697,725	12,965,517
OPERATING EXPENSES			
Salaries and benefits	2,141,074	1,955,955	4,097,029
Materials, supplies, and operational expenses	1,453,900	1,341,209	2,795,109
Repairs and maintenance	392,797	446,501	839,298
Insurance	55,574	53,865	109,439
Contractual services	766,298	22,766	789,064
Taxes and licenses	32,366	15,059	47,425
Utilities	538,548	333,312	871,860
Depreciation	1,981,611	1,023,097	3,004,708
Total Operating Expenses	7,362,168	5,191,764	12,553,932
Operating Income (Loss)	905,624	(494,039)	411,585
NON-OPERATING REVENUES (EXPENSES)			
Amortization expense	(42,881)	(3,800)	(46,681)
Rental income	151,878	-	151,878
Interest income	737,824	666,538	1,404,362
Interest expense	(460,112)	(220,202)	(680,314)
Property taxes	28,437	-	28,437
Total Non-Operating Revenues	415,146	442,536	857,682
Income (Loss) Before Contributions and Transfers	1,320,770	(51,503)	1,269,267
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	3,032,663	1,203,394	4,236,057
Transfers out	(3,038,257)	(1,218,934)	(4,257,191)
Capital contributions	703,199	531,374	1,234,573
Total Transfers and Capital Contributions	697,605	515,834	1,213,439
Change in net assets	2,018,375	464,331	2,482,706
Total Net Assets - July 1, 2007	59,878,747	30,014,360	89,893,107
Total Net Assets - June 30, 2008	$ 61,897,122	$ 30,478,691	$ 92,375,813

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 8,241,996	$ 4,562,060	$ 12,804,056
Cash paid to suppliers	(2,291,520)	(2,221,619)	(4,513,139)
Cash paid to employees	(2,113,609)	(1,936,403)	(4,050,012)
Net Cash Provided by Operating Activities	3,836,867	404,038	4,240,905
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes	28,437	-	28,437
Transfers to other funds	(5,594)	(15,541)	(21,135)
Net Cash Provided (Used) for Noncapital Financing Activities	22,843	(15,541)	7,302
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,363,831)	(250,928)	(2,614,759)
Principal paid on capital debt	(742,412)	(137,500)	(879,912)
Interest paid on capital debt	(470,566)	(221,578)	(692,144)
Net Cash Used for Capital and Related Financing Activities	(3,576,809)	(610,006)	(4,186,815)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	353,391	(157,101)	196,290
Rental income	151,878	-	151,878
Interest and dividends	750,805	694,559	1,445,364
Net Cash Provided by Investing Activities	1,256,074	537,458	1,793,532
Net Increase in Cash and Cash Equivalents	1,538,975	315,949	1,854,924
Cash and Cash Equivalents - July 1, 2007	16,209,138	6,454,273	22,663,411
Cash and Cash Equivalents - June 30, 2008	$ 17,748,113	$ 6,770,222	$ 24,518,335

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	Water Reclamation	Water	Totals
Operating Income (Loss)	$ 905,624	$ (494,039)	$ 411,585
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,981,611	1,023,097	3,004,708
Changes in assets and liabilities:			
Increase in accounts receivable	(232,770)	(170,312)	(403,082)
Decrease in notes receivable	203,590	31,263	234,853
Decrease in prepaid expenses	6,470	6,020	12,490
Decrease (increase) in inventory	4,161	(8,542)	(4,381)
Increase (decrease) in accounts payable	937,332	(6,385)	930,947
Increase in deposits payable	3,384	3,384	6,768
Increase in accrued wages	11,121	12,062	23,183
Increase in compensated absences	16,344	7,490	23,834
Net Cash Provided by Operating Activities	$ 3,836,867	$ 404,038	$ 4,240,905
Supplementary information:			
Developer contributions	$ 703,192	$ 531,367	$ 1,234,559

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,832,011
Investments	388,510
Accounts receivable	14,653
Interest receivable	6,395
Total Assets	$ 2,241,569
LIABILITIES	
Accounts payable	$ 45,982
Deposits payable	1,275,185
Due to special assessment districts	920,402
Total Liabilities	$ 2,241,569

See accompanying notes to the basic financial statements.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the general operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - Debt Service Funds are used to account for the accumulation of financial resources for the payment of interest and principal on the general long-term liabilities of the Town other than debt service payments made by enterprise funds.

Capital Project Funds - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by enterprise funds.

Proprietary Funds

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

Fiduciary Funds (not included in government-wide statements)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

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

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

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

Drainage Mitigation Fund - This fund accounts for developer fees to be used for the construction and implementation of improvements to the drainage system.

Traffic Mitigation Fund - 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.

Redevelopment 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.

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds's principal operations. The principal operating revenues of the Water and Water Reclamation enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Sonoma levies, bills, and collects property taxes and special assessments for the Town. Property taxes levied are recorded as revenue when received, in the fiscal year or levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the Town and the County of Sonoma. The Teeter Plan authorizes the Auditor/Controller of the County of Sonoma to allocate 100% of the secured property taxes billed, but not yet paid. The County of Sonoma remits tax monies to the Town in three installments as follows:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 no 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 XIIIA 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 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

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

E. Cash and Investments

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

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

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

For purposes of the statement of cash flows, the Town has defined cash and cash equivalents to be change and petty cash funds, equity in the Town's cash and investment pool, and restricted non-pooled investments with initial maturities of three months of less.

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, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Fixed 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, fixed 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 fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed 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.

With the implementation of GASB Statement 34, the Town has recorded all its public domain (infrastructure) capital assets, which include streets, bridges, roads, sidewalks, traffic lights, and parks.

Depreciation of all exhaustible fixed 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, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2008. 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 financing uses. Issuance cots, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Interfund Transactions

Following is a description of the four 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. Residual equity transfers - transactions recording equity contributions and distributions between funds. The receiving fund records such transactions as an addition to fund balance, if it is a Governmental Fund, or a capital contribution, if it is a Proprietary Fund. The disbursing fund records the transfer as a reduction of fund balance, retained earnings, or contributed capital.

4. 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 due to and due from other funds on the balance sheet of the governmental funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

a. 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.

b. Restricted net assets - Consists of net assets with constraints place 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.

c. 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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Reserve for encumbrances represents the portion of fund balance set aside for open purchase orders.

Reserves for supplies, advances, land held for redevelopment, and notes and loans receivable are the portions of fund balances set aside to indicate these items do not represent available, spendable resources even though they are an asset of the Fund.

Reserve for debt service is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

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, 2008 are classified in the accompanying financial statements as follows:

	Cash	Investments	Total
Governmental activities	$ 38,824,535	$ 8,378,329	$ 47,202,864
Business-type activities	24,518,335	7,432,616	31,950,951
Total government-wide cash and investments	63,342,870	15,810,945	79,153,815
Fiduciary activities	1,832,011	388,510	2,220,521
Total cash and investments	$ 65,174,881	$ 16,199,455	$ 81,374,336

Cash and investments are carried at fair value as of June 30, 2008 and consist of the following:

Cash in investment pools	$ 59,316,116
Cash with fiscal agent	4,313,937
Restricted cash	135,446
Investments	16,199,455
Cash in banks	1,408,507
Petty cash	875
Total cash and investments	$ 81,374,336

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
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.

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, 2008:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
County investment pool	$ 12,041,352	$ -	$ 12,041,352
State investment pool	47,171,652	-	47,171,652
Investments:			
Federal Home Loan Bank	-	9,227,805	9,227,805
Federal National Mortgage Association	-	4,975,100	4,975,100
Federal Farm Credit Bank Funding Corporation	-	1,996,550	1,996,550
Held by bond trustee:			
Money market funds	323,173	-	323,173
	$ 59,536,177	$ 16,199,455	$ 75,735,632

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

		Rating as of Fiscal Year End		
	Total	S&P	Moody's	N/A
County investment pool	$ 12,041,352			Not rated
State investment pool	47,171,652			Not rated
Investments:				
Federal Home Loan Bank	9,227,805	AAA	Aaa	
Federal National Mortgage Association	4,975,100	AAA	Aaa	
Federal Farm Credit Banks Funding Corporation	1,996,550	AAA	Aaa	
Held by bond trustee:				
Money market funds	323,173			Not rated
	$ 75,735,632			

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. The Town holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investment.

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 Town's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2008, the carrying amount of the Town's deposits was $1,408,507 and bank balances were $1,114,430, of which $200,000 was insured.

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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 Agency 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 Agency's terms.

The balance of notes and loans receivable, net of allowance, has been offset in the fund financial statements by deferred revenue as they are not expected to be repaid during the fiscal year June 30, 2009.

These notes and loans receivable, including interest, comprised the following at June 30, 2008 and are explained in detail below.

	Notes Receivable
Forest Winds Apartments	$ 503,200
Winter Creek Village Apartments	964,724
Vinecrest	923,640
Twin Oaks	125,000
Windsor Redwoods	664,210
Total	$ 3,180,774

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 percent simple interest for 30 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2008 was $163,200.

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 percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2008 was $200,544.

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 show as a receivable in the Low and Moderate Income Housing Fund of the Agency. The loan accrues interest at 3 percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2008 was $235,640.

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

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. 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. Windsor Redwoods Notes Receivable

In March 2007, the Agency entered into an agreement with Burbank Housing Development Corporation for the development of affordable multi-family housing rental projects (Windsor Redwoods). The total loan requested was $900,000, but as of June 30, 2008, only $664,210 had been requested for reimbursement for project costs. This amount is shown as a receivable in the Low and Moderate Income Housing Fund of the Agency. The loan accrues interest at 3 percent simple interest until paid in full. Annual payments on the outstanding principal and accrued interest in an amount equity to 50% of the residual receipts are due and payable on November 1 of each year, commencing in November 2011.

As of June 30, 2008, loans receivable and related deferral revenue in the Low and Moderate Income Housing Fund totaled $3,180,774.

NOTE 4 : LAND HELD FOR REDEVELOPMENT

At June 30, 2008, the Agency held the following property for resale or development:

840 Twin Oaks Lane	$ 355,214

NOTE 5: INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

Transfer from	Transfer To	Description of Transfer	Amount
Major Governmental Funds			
General Fund	Capital Replacement	Future capital purchases	$ 1,898,000
General Fund	RDA Capital Projects	Loan to RDA	746,208
General Fund	Debt Service	Scheduled debt service	210,320
General Fund	Water Operations	Scheduled debt service	72,366
General Fund	Lighting & Landscaping Assessment	Cover fund balance deficit	122,398
General Fund	Gas Tax	Project funding	90,000
General Fund	Water Reclamation Operations	Scheduled debt service	72,366
General Fund	Abandon Vehicle Abatement	Begin new fund	36,143
General Fund	Lighting & Landscaping Assessment	Program funding	1,782
RDA Debt Service	Lighting & Landscaping Assessment	Tax increment revenue	3,650
RDA Debt Service	General Fund	Scheduled debt service	746,208
		Total Major Governmental Interfund Transfers	3,999,441
Non-Major Governmental Funds			
Gas Tax	General Fund	Facility cost sharing	10,000
Public Facilities	Water Reclamation Operations	Scheduled debt service	43,419
Public Facilities	Debt Service	Scheduled debt service	154,797
Public Facilities	Water Operations	Scheduled debt service	43,419
		Total Non-Major Governmental Interfund Transfers	251,635
		Total Governmental Interfund Transfers	$ 4,251,076
Proprietary Funds			
Water Reclamation Operations	General Fund	Facility cost sharing	$ 36,362
Water Reclamation Operating	Debt Service	Scheduled debt service	57,517
Water Reclamation Operating	General Fund	Project funding	27,500
Water Reclamation Capital	Water Reclamation Operating	Funding of capital purchases	2,916,878
Water Operating	General Fund	Facility cost sharing	46,308
Water Operating	General Fund	Project funding	27,500
Water Operating	Debt Service	Scheduled debt service	57,517
Water Operating	Water Capital	Future replacement purchases	800,000
Water Capital	Water Operating	Funding of capital purchases	188,183
Water Conservation	Water Operating	Project funding & close fund	99,426
		Total Proprietary Interfund Transfers	$ 4,257,191
		Total Interfund Transfers	$ 8,508,267

NOTE 6: CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2007	Additions	Retirements	Adjustments	Balance at June 30, 2008
Capital assets not being depreciated					
Land	$ 32,310,417	$ -	$ -	$ -	$ 32,310,417
Rights of way	360	17	-	-	377
Construction-in-progress	9,947,211	4,953,339	-	(321,064)	14,579,486
Total capital assets not being depreciated	42,257,988	4,953,356	-	(321,064)	46,890,280
Capital assets being depreciated					
Buildings	6,752,409	-	-	-	6,752,409
Improvements other than buildings	12,897,980	585,186	-	321,064	13,804,230
Equipment and machinery	865,359	175,329	-	-	1,040,688
Infrastructure	103,581,184	3,416,202	-	-	106,997,386
Vehicles	758,031	115,344	-	-	873,375
Total capital assets being depreciated	124,854,963	4,292,061	-	321,064	129,468,088
Less accumulated depreciation					
Buildings	(1,660,286)	(134,721)	-	-	(1,795,007)
Improvements other than buildings	(4,783,715)	(543,073)	-	-	(5,326,788)
Equipment and machinery	(720,570)	(59,384)	-	-	(779,954)
Infrastructure	(33,118,215)	(2,360,698)	-	-	(35,478,913)
Vehicles	(398,798)	(108,315)	-	-	(507,113)
Total accumulated depreciation	(40,681,584)	(3,206,191)	-	-	(43,887,775)
Total capital assets, net	$ 126,431,367	$ 6,039,226	$ -	$ -	$ 132,470,593

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

Governmental Activities:

General administration	$ 201,550
Public safety	39,035
Public works	555,040
Community development and recreation	12,915
Parks	543,073
Streets and roads	1,854,578
Total governmental activities depreciation expense	$ 3,206,191

NOTE 6: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	Balance at July 1, 2007	Additions	Retirements	Balance at June 30, 2008
Water Fund:				
Capital assets not being depreciated				
Land	$ 628,586	$ -	$ -	$ 628,586
Construction-in-progress	157,200	46,277	-	203,477
Total capital assets not being depreciated	785,786	46,277	-	832,063
Capital assets being depreciated				
Infrastructure (utility systems)	31,915,394	531,368	-	32,446,762
Equipment and machinery	820,008	62,248	-	882,256
Vehicles	578,222	142,403	-	720,625
Total capital assets being depreciated	33,313,624	736,019	-	34,049,643
Less accumulated depreciation				
Infrastructure (utility systems)	(10,931,764)	(932,393)	-	(11,864,157)
Equipment and machinery	(659,271)	(47,151)	-	(706,422)
Vehicles	(384,777)	(43,554)	-	(428,331)
Total accumulated depreciation	(11,975,812)	(1,023,098)	-	(12,998,910)
Total capital assets, net	$ 22,123,598	$ (240,802)	$ -	$ 21,882,796

	Balance at July 1, 2007	Additions	Retirements	Balance at June 30, 2008
Water Reclamation Fund:				
Capital assets not being depreciated				
Land	$ 6,265,121	$ -	$ -	$ 6,265,121
Construction-in-progress	1,745,304	2,191,631	-	3,936,935
Total capital assets not being depreciated	8,010,425	2,191,631	-	10,202,056
Capital assets being depreciated				
Infrastructure (utility systems)	62,373,143	703,193	-	63,076,336
Equipment and machinery	2,967,695	62,248	-	3,029,943
Vehicles	749,821	109,951	-	859,772
Total capital assets being depreciated	66,090,659	875,392	-	66,966,051
Less accumulated depreciation				
Infrastructure (utility systems)	(18,282,607)	(1,781,881)	-	(20,064,488)
Equipment and machinery	(2,535,764)	(156,150)	-	(2,691,914)
Vehicles	(567,131)	(43,578)	-	(610,709)
Total accumulated depreciation	(21,385,502)	(1,981,609)	-	(23,367,111)
Total capital assets, net	$ 52,715,582	$ 1,085,414	$ -	$ 53,800,996

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

Water Fund	$ 1,023,098
Water Reclamation Fund	1,981,609
Total business-type activities depreciation expense	$ 3,004,707

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term liabilities for the fiscal year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Governmental activities:					
Compensated absences	$ 185,691	$ 60,395	$ (27,012)	$ 219,074	$ 27,012
Tax allocation bonds	8,260,000	-	(330,000)	7,930,000	340,000
Revenue bonds	5,845,000	-	(210,000)	5,635,000	220,000
Total Governmental activities	$ 14,290,691	$ 60,395	$ (567,012)	$ 13,784,074	$ 587,012

	Balance at July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Business-type activities:					
Water Fund:					
Compensated absences	$ 64,516	$ 17,509	$ (10,019)	$ 72,006	$ 10,019
Revenue bonds	4,645,000	-	(137,500)	4,507,500	145,500
	4,709,516	17,509	(147,519)	4,579,506	155,519
Water Reclamation Fund:					
State Revolving Fund	7,125,162	-	(385,912)	6,739,250	397,103
Compensated absences	71,929	25,846	(9,502)	88,273	9,502
Revenue bonds	5,855,000	-	(327,500)	5,527,500	339,500
General obligation bonds	154,000	-	(29,000)	125,000	30,000
	13,206,091	25,846	(751,914)	12,480,023	776,105
Total Business-type activities	$ 17,915,607	$ 43,355	$ (899,433)	$ 17,059,529	$ 931,624

NOTE 7: LONG-TERM LIABILITES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2008 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 shall be 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, 2008 was $3,505,000.

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 shall be 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, 2008 was $4,425,000.

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, 2008 was $5,635,000.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of $1,334,103 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, 2008 was $82,275.

NOTE 7: LONG-TERM LIABILITES (CONTINUED)

Governmental Activities Long-Term Liabilities Amortization:

1998 Tax Allocation Bonds

For the Year Ending June 30	Principal	Interest	Total
2009	$ 140,000	$ 163,716	$ 303,716
2010	150,000	157,696	307,696
2011	150,000	151,321	301,321
2012	160,000	144,576	304,576
2013	165,000	137,344	302,344
2014 - 2018	955,000	557,940	1,512,940
2019 - 2023	1,215,000	295,503	1,510,503
2024 - 2028	570,000	28,509	598,509
Total	$ 3,505,000	$ 1,636,605	$ 5,141,605

2004 Tax Allocation

For the Year Ending June 30	Principal	Interest	Total
2009	$ 200,000	$ 165,652	$ 365,652
2010	200,000	161,202	361,202
2011	210,000	155,865	365,865
2012	215,000	149,753	364,753
2013	220,000	143,063	363,063
2014 - 2018	1,220,000	593,823	1,813,823
2019 - 2023	1,470,000	325,439	1,795,439
2024 - 2028	690,000	31,275	721,275
Total	$ 4,425,000	$ 1,726,072	$ 6,151,072

2001 A Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2009	$ 220,000	$ 281,332	$ 501,332
2010	230,000	271,767	501,767
2011	235,000	261,652	496,652
2012	250,000	249,763	499,763
2013	260,000	236,056	496,056
2014 - 2018	1,530,000	948,350	2,478,350
2019 - 2023	1,975,000	491,291	2,466,291
2024 - 2028	935,000	105,000	47,375
Total	$ 5,635,000	$ 2,845,211	$ 8,480,211

NOTE 7: LONG-TERM LIABILITES (CONTINUED)

TOTAL GOVERNMENTAL ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2009	$ 560,000	$ 610,700	$ 1,170,700
2010	580,000	590,665	1,170,665
2011	595,000	568,838	1,163,838
2012	625,000	544,092	1,169,092
2013	645,000	516,463	1,161,463
2014 - 2018	3,705,000	2,100,113	5,805,113
2019 - 2023	4,660,000	1,112,233	5,772,233
2024 - 2028	2,195,000	164,784	2,359,784
Total	$ 13,565,000	$ 6,207,888	$ 19,772,888

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 percent, and mature in 2010, 2011, and 2018, respectively.

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, 2008 was $125,000.

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 percent 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 will be used to finance a new Water and Wastewater Corporation Yard. The outstanding principal balance of the bonds at June 30, 2008 was $9,015,000.

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 percent. The Water Reclamation net revenues are pledged as security for the bonds. The outstanding balance of the bonds as of June 30, 2008, was $1,020,000.

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 percent, 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, 2008, the outstanding principal balance of the loan was $6,739,250.

NOTE 7: LONG-TERM LIABILITES (CONTINUED)

Deferred Charges

Capitalized bond costs related to the Business-type long term liabilities have been recorded as deferred issuance costs in the amount of $378,312 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, 2008 was $46,681.

Business-type Long-Term Liabilities Amortization

General Obligation Bonds

For the Year Ending June 30	Principal	Interest	Total
2009	$ 30,000	$ 6,250	$ 36,250
2010	32,000	4,750	36,750
2011	12,000	3,150	15,150
2012	6,000	2,550	8,550
2013	7,000	2,250	9,250
2014 - 2018	38,000	6,000	44,000
Total	$ 125,000	$ 24,950	$ 149,950

2002 B Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2009	$ 290,000	$ 438,654	$ 728,654
2010	300,000	426,054	726,054
2011	310,000	414,054	724,054
2012	325,000	401,654	726,654
2013	335,000	388,654	723,654
2014 - 2018	1,910,000	1,715,299	3,625,299
2019 - 2023	2,430,000	1,195,070	3,625,070
2024 - 2028	3,115,000	507,677	3,622,677
Total	$ 9,015,000	$ 5,487,116	$ 14,502,116

2004 C Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2009	$ 195,000	$ 30,326	$ 225,326
2010	200,000	25,336	225,336
2011	200,000	25,336	225,336
2012	210,000	11,248	221,248
2013	215,000	3,655	218,655
Total	$ 1,020,000	$ 95,901	$ 1,115,901

NOTE 7: LONG-TERM LIABILITES (CONTINUED)

State Revolving Fund Loan

For the Year Ending June 30	Principal	Interest	Total
2009	$ 397,103	$ 195,438	$ 592,541
2010	408,619	183,922	592,541
2011	420,469	172,072	592,541
2012	432,663	159,879	592,542
2013	445,210	147,331	592,541
2014 - 2018	2,427,372	415,338	2,842,710
2019 - 2023	2,207,814	162,354	2,370,168
Total	$ 6,739,250	$ 1,436,334	$ 8,175,584

TOTAL BUSINESS TYPE ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2009	$ 912,103	$ 670,668	$ 1,582,771
2010	940,619	640,062	1,580,681
2011	942,469	614,612	1,557,081
2012	973,663	575,331	1,548,994
2013	1,002,210	541,890	1,544,100
2014 - 2018	4,375,372	2,136,637	6,512,009
2019 - 2023	4,637,814	1,357,424	5,995,238
2024 - 2028	3,115,000	507,677	3,622,677
Total	$ 16,899,250	$ 7,044,301	$ 23,943,551

NOTE 8: SPECIAL ASSESSMENT DISTRICTS

On September 29, 2004, the Town of Windsor issued $5,210,000 of Limited Obligation Improvement Bonds for the Mitchell/Shiloh/Conde Assessment District. These bonds have been issued pursuant to the provisions of the Improvement Bond Acts of 1915. The bonds are issued and secured by the unpaid special assessments levied on parcels within the District. The proceeds are to be used to finance a portion of the cost and expense of roadway improvements and related appurtenant work. Neither the full faith and credit nor the taxing power of the Town is pledged to the payment of the bonds. Consequently, the Town has no liability to advance funds to pay bond principals and interest. As of June 30, 2008, the outstanding principal amount of the bonds was $5,010,000. The bonds mature in September 2034.

NOTE 9: OPERATING LEASES

The Town has commitments to lease certain office equipment. The total rent expense as of June 30, 2008 was $71,659. Future minimum rental commitments for equipment operating leases as of June 30, 2008 are as follows:

Year Ending June 30,	
2009	$ 12,804
2010	10,251
2011	648
Total	$ 23,703

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

Plan Description

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

Funding Policy

Participants are required to contribute 7 percent of their annual covered salary. 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, 2008 was 11.696 percent 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, 2008, the Town's annual pension cost (employer contribution) of $633,713 for miscellaneous employees was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method.

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

Three Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	$ 535,530	100%	-
2007	$ 621,833	100%	-
2008	$ 633,713	100%	-

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
6/30/04**	$ 2,746,095,668	$ 2,460,944,656	$ 285,151,012	89.6%	$ 743,691,970	38.3%
6/30/05**	$ 2,891,460,651	$ 2,588,713,000	$ 302,747,651	89.5%	$ 755,046,679	40.1%
6/30/06**	$ 2,754,396,608	$ 2,492,226,176	$ 262,170,432	90.5%	$ 699,897,835	37.5%

* UAAL - Unfunded actuarial accrued liability
** A new 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, the Town of Windsor is now 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.

NOTE 11: 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 (the "Fund"). The Fund 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. The Fund 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.

The Fund 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. The Fund 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 the Fund for the fiscal year ended June 30, 2008 is as follows:

Total Assets	$	18,401,188
Total Liabilities	$	14,007,048
Net Assets	$	4,394,140
Total Revenues	$	8,363,776
Total Expenses	$	8,294,848
Change in Net Assets	$	68,928

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, 2008, 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 12: 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, 2008, the principal balance of the bonds were $4,015,000.

NOTE 13: DEFICIT FUND BALANCES

As of June 30, 2008, the Community Development Block Grant Fund, the Debt Service Fund, and the Water Reclamation Capital Fund had deficit balances of $17,717, $300, and $4,175,045 respectively. These deficits will be financed through future revenues of the funds.

NOTE 14: CONTINGENCIES AND COMMITMENTS

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

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

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

NOTE 15 - SUBSEQUENT EVENTS

Bond Issuance

In August 2008, the Financing Authority issued $8,400,000 of lease revenue bonds. The proceeds of the bonds are to be applied to (i) fund construction of a new fire station and related facilities, (ii) fund the reserve fund requirement, (iii) fund a deposit into the interest fund representing capitalized interest on the bonds, and (iv) finance certain costs of issuance related to the issuance of the bonds. Bond principal payments are due in annual installments each October 1 beginning in 2010 with final maturity in 2020. Interest payments are due semi annually each April 1 and October 1beginning in 2009 with rates ranging from 4.0 to 4.625 percent. The bonds are secured by revenues pledged in the trust agreement.

Other Post Employment Benefits

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The basic premise of the statements is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. GASB 45 requires employers to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. The Town will be required to implement GASB No. 45 in the fiscal year beginning July 1, 2008.

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, 2008

	2007-2008 Budgeted Amounts			
	Original	Final	2008 Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 3,994,500	$ 3,994,500	$ 4,297,452	$ 302,952
Sales taxes	4,417,000	4,417,000	3,707,837	(709,163)
Other taxes	3,170,400	3,170,400	3,696,173	525,773
Licenses, permits and fees	1,182,616	1,182,616	576,289	(606,327)
Fines and forfeitures	-	55,000	37,423	(17,577)
Rental income	84,456	84,456	88,994	4,538
Use of money and property	180,000	180,000	317,844	137,844
Intergovernmental	175,250	120,250	101,007	(19,243)
Charges for services	504,400	504,400	573,782	69,382
Other revenues	13,000	13,000	88,113	75,113
Total Revenues	13,721,622	13,721,622	13,484,914	(236,708)
EXPENDITURES				
General administration	1,985,224	1,824,115	1,571,554	252,561
Public safety	5,333,162	5,351,310	5,276,261	75,049
Public works	1,145,487	1,259,564	783,765	475,799
Community development	3,292,143	3,198,933	2,992,260	206,673
Capital outlay	1,748,371	1,682,536	301,544	1,380,992
Total Expenditures	13,504,387	13,316,458	10,925,384	2,391,074
Excess of revenues over expenditures	217,235	405,164	2,559,530	(2,627,782)
OTHER FINANCING SOURCES (USES)				
Transfers in	828,878	883,878	893,878	10,000
Transfers out	(3,357,929)	(3,559,092)	(3,249,583)	309,509
Total other financing sources (uses)	(2,529,051)	(2,675,214)	(2,355,705)	319,509
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,311,816)	(2,270,050)	203,825	(2,308,273)
Fund balances - July 1, 2007			7,623,263	
Fund balances - June 30, 2008			$ 7,827,088	

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, 2008

	2007-2008 Budgeted Amounts			
	Original	Final	2008 Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	$ 265,000	$ 265,000	$ 467,980	$ 202,980
Intergovernmental	25,000	25,000	25,000	-
Total Revenues	290,000	290,000	492,980	202,980
EXPENDITURES				
General administration	54,471	94,471	66,045	28,426
Capital outlay	60,000	192,000	47,767	144,233
Total Expenditures	114,471	286,471	113,812	172,659
Excess of revenues over expenditures	175,529	3,529	379,168	30,321
OTHER FINANCING SOURCES (USES)				
Transfers in	1,550,000	1,898,000	1,898,000	-
Total other financing sources (uses)	1,550,000	1,898,000	1,898,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,725,529	1,901,529	2,277,168	30,321
Fund balances - July 1, 2007			7,810,386	
Fund balances - June 30, 2008			$ 10,087,554	

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS

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

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.

Asset Forfeiture Fund
This fund is used to account for asset forfeiture revenue received from other governmental entities.

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.

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.

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

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

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.

DEBT SERVICE FUNDS

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

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

Fire Mitigation Fund
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.

Redevelopment Agency Capital Project Fund
This fund is used to account for approved redevelopment projects.

Redevelopment Agency Low and Moderate Income Housing
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.

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Gas Tax	Transportation Development Act	Asset Forfeiture	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Abandoned Vehicle Abatement
ASSETS						
Cash	$ -	$ 68,790	$ 1,331	$ 8,926	$ 60,992	$ 35,707
Investments	128,936	21,117	351	4,549	182,400	-
Accounts receivable	455,853	-	-	-	5,111	4,446
Interest receivable	-	12	9	83	4,616	-
Notes receivable	-	-	-	-	-	-
Prepaid expenses	26,039	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	$ 610,828	$ 89,919	$ 1,691	$ 13,558	$ 253,119	$ 40,153
LIABILITIES AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	$ 32,634	$ 144	$ -	$ 870	$ 100,105	$ 28,189
Accrued expenditures	9,653	-	-	-	12,304	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	428,360	53,332	-	-	-	-
Total Liabilities	470,647	53,476	-	870	112,409	28,189
FUND BALANCES (DEFICITS):						
Reserved:						
Land held for resale	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Prepaid expenditures	26,039	-	-	-	-	-
Unreserved:						
Special revenue funds	114,142	36,443	1,691	12,688	140,710	11,964
Capital project funds	-	-	-	-	-	-
Total Fund Balances (Deficits)	140,181	36,443	1,691	12,688	140,710	11,964
Total Liabilities and Fund Balances (Deficits)	$ 610,828	$ 89,919	$ 1,691	$ 13,558	$ 253,119	$ 40,153

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Public Education and Government Grant	Community Development Block Grant	Strong Motion	Public Facilities	Tree Removal Mitigation	Pool Creek Maintenance
ASSETS						
Cash	$ 10,059	$ -	$ 5,346	$ 1,041,746	$ 20,103	$ 6,425
Investments	10,416	89	2,118	355,603	5,305	1,696
Accounts receivable	13,111	47,155	-	-	-	-
Interest receivable	473	-	41	7,574	142	45
Notes receivable	-	-	-	-	-	-
Prepaid expenses	1,047	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	$ 35,106	$ 47,244	$ 7,505	$ 1,404,923	$ 25,550	$ 8,166
LIABILITIES AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	$ 5,062	$ 1,621	$ 158	$ -	$ -	$ -
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	63,340	-	-	-	-
Total Liabilities	5,062	64,961	158	-	-	-
FUND BALANCES (DEFICITS):						
Reserved:						
Land held for resale	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Prepaid expenditures	1,047	-	-	-	-	-
Unreserved:						
Special revenue funds	28,997	(17,717)	7,347	1,404,923	25,550	8,166
Capital project funds	-	-	-	-	-	-
Total Fund Balances (Deficits)	30,044	(17,717)	7,347	1,404,923	25,550	8,166
Total Liabilities and Fund Balances (Deficits)	$ 35,106	$ 47,244	$ 7,505	$ 1,404,923	$ 25,550	$ 8,166

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

	Park Development	Fire Mitigation	RDA Capital Project	RDA Low and Moderate Income Housing	Debt Service	**Total Non-major Governmental Funds**
ASSETS						
Cash	$ 3,765,411	$ 635,225	$ 3,287,907	$ 2,555,408	$ -	$ 11,503,376
Investments	1,100,346	-	-	557,857	3,156	2,373,939
Accounts receivable	8,925	-	-	2,835	-	537,436
Interest receivable	27,190	-	21,251	15,148	39	76,623
Notes receivable	-	-	-	3,180,774	-	3,180,774
Prepaid expenses	-	-	-	-	2,292	29,378
Land held for resale	-	-	-	355,214	-	355,214
Total Assets	$ 4,901,872	$ 635,225	$ 3,309,158	$ 6,667,236	$ 5,487	$ 18,056,740
LIABILITIES AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	$ 86,273	$ -	$ 201,798	$ 111,723	$ -	$ 568,577
Accrued expenditures	18,765	-	41,814	3,256	-	85,792
Deferred revenue	-	-	-	3,180,774	-	3,180,774
Due to other funds	-	-	-	400,000	5,787	950,819
Total Liabilities	105,038	-	243,612	3,695,753	5,787	4,785,962
FUND BALANCES (DEFICITS):						
Reserved:						
Land held for resale	-	-	-	355,214	-	355,214
Low and moderate housing	-	-	-	2,616,269	-	2,616,269
Debt service	-	-	-	-	(2,592)	(2,592)
Prepaid expenditures	-	-	-	-	2,292	29,378
Unreserved:						
Special revenue funds	-	-	-	-	-	1,774,904
Capital project funds	4,796,834	635,225	3,065,546	-	-	8,497,605
Total Fund Balances (Deficits)	4,796,834	635,225	3,065,546	2,971,483	(300)	13,270,778
Total Liabilities and Fund Balances (Deficits)	$ 4,901,872	$ 635,225	$ 3,309,158	$ 6,667,236	$ 5,487	$ 18,056,740

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Gas Tax	Transportation Development Act	Asset Forfeiture	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Abandoned Vehicle Abatement
REVENUES						
Property taxes	$ -	$ -	$ -	$ -	$ 1,616	$ -
Other taxes	-	-	-	-	844,257	-
Use of property	-	-	-	-	-	-
Investment earnings	10,834	1,710	83	1,041	48,076	-
Intergovernmental	1,211,865	1,106,308	-	-	-	17,472
Charges for services	560	175	-	-	-	-
Other revenue	294	-	-	-	-	-
Total Revenues	1,223,553	1,108,193	83	1,041	893,949	17,472
EXPENDITURES						
General administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	41,651
Public works	-	-	-	-	1,590,833	-
Community development	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Streets and roads	706,010	1,106,308	-	-	-	-
Housing	-	-	-	9,154	-	-
Capital outlay	814,329	5,046	-	-	79,770	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	1,520,339	1,111,354	-	9,154	1,670,603	41,651
Excess (deficiency) of revenues over expenditures	(296,786)	(3,161)	83	(8,113)	(776,654)	(24,179)
OTHER FINANCING SOURCES (USES)						
Transfers in	90,000	-	-	-	127,830	36,143
Transfers out	(10,000)	-	-	-	-	-
Total other financing sources (uses)	80,000	-	-	-	127,830	36,143
Net change in fund balance	(216,786)	(3,161)	83	(8,113)	(648,824)	11,964
Fund balances(deficits) - July 1, 2007	356,967	39,604	1,608	20,801	789,534	-
Fund balances (deficits) - June 30, 2008	$ 140,181	$ 36,443	$ 1,691	$ 12,688	$ 140,710	$ 11,964

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Public Education and Government Grant	Community Development Block Grant	Strong Motion	Public Facilities	Tree Removal Mitigation	Pool Creek Maintenance
REVENUES						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-	-	-
Use of property	-	-	-	-	-	-
Investment earnings	2,940	-	418	72,546	1,267	404
Intergovernmental	53,414	47,155	207	-	-	-
Charges for services	-	-	-	77,980	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	56,354	47,155	625	150,526	1,267	404
EXPENDITURES						
General administration	62,525	1,788	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Streets and roads	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	5,000	63,409	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	67,525	65,197	-	-	-	-
Excess (deficiency) of revenues over expenditures	(11,171)	(18,042)	625	150,526	1,267	404
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(241,635)	-	-
Total other financing sources (uses)	-	-	-	(241,635)	-	-
Net change in fund balance	(11,171)	(18,042)	625	(91,109)	1,267	404
Fund balances(deficits) - July 1, 2007	41,215	325	6,722	1,496,032	24,283	7,762
Fund balances (deficits) - June 30, 2008	$ 30,044	$ (17,717)	$ 7,347	$ 1,404,923	$ 25,550	$ 8,166

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Park Development	Fire Mitigation	RDA Capital Project	RDA Low and Moderate Income Housing	Debt Service	**Total Non-major Governmental Funds**
REVENUES						
Property taxes	$ -	$ -	$ -	$ 661,955	$ -	$ 663,571
Other taxes	-	-	-	-	-	844,257
Use of property	-	-	-	310,434	-	310,434
Investment earnings	252,593	235	134,326	290,403	7,965	824,841
Intergovernmental	-	-	-	-	-	2,436,421
Charges for services	213,279	47,041	630	-	-	339,665
Other revenue	9,525	-	163,605	-	-	173,424
Total Revenues	475,397	47,276	298,561	1,262,792	7,965	5,592,613
EXPENDITURES						
General administration	-	-	25,000	-	-	89,313
Public safety	-	-	-	-	-	41,651
Public works	-	-	-	-	-	1,590,833
Community development	-	-	423,267	3,310	-	426,577
Parks	114,889	-	-	-	-	114,889
Streets and roads	-	-	-	-	-	1,812,318
Housing	-	-	-	197,495	-	206,649
Capital outlay	494,106	552,485	924,573	984,775	-	3,923,493
Debt service:						
Principal	-	-	-	-	210,000	210,000
Interest and fiscal charges	-	-	-	-	294,701	294,701
Total Expenditures	608,995	552,485	1,372,840	1,185,580	504,701	8,710,424
Excess (deficiency) of revenues over expenditures	(133,598)	(505,209)	(1,074,279)	77,212	(496,736)	(3,117,811)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	746,208	-	480,151	1,480,332
Transfers out	-	-	-	-	-	(251,635)
Total other financing sources (uses)	-	-	746,208	-	480,151	1,228,697
Net change in fund balance	(133,598)	(505,209)	(328,071)	77,212	(16,585)	(1,889,114)
Fund balances(deficits) - July 1, 2007	4,930,432	1,140,434	3,393,617	2,894,271	16,285	15,159,892
Fund balances (deficits) - June 30, 2008	$ 4,796,834	$ 635,225	$ 3,065,546	$ 2,971,483	$ (300)	$ 13,270,778

PROPRIETARY FUNDS

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

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

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

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Water Reclamation			
	Operating	Capital Replacement	Capital	Totals
ASSETS				
Current Assets				
Cash	$ 6,120,927	$ 5,391,885	$ 6,235,301	$17,748,113
Investments	-	-	1,698,152	1,698,152
Accounts receivable	1,215,724	-	59,369	1,275,093
Interest receivable	34,106	33,709	49,318	117,133
Prepaid expenses	6,417	-	-	6,417
Inventory	5,107	-	-	5,107
Total Current Assets	7,382,281	5,425,594	8,042,140	20,850,015
Non Current Assets				
Due from other funds	913,000	-	-	913,000
Deferred issuance costs, net	306,112	-	-	306,112
Capital assets, net of accumulated depreciation	53,800,996	-	-	53,800,996
Total Non Current Assets	55,020,108	-	-	55,020,108
Total Assets	$62,402,389	$ 5,425,594	$ 8,042,140	$75,870,123
LIABILITIES				
Current Liabilities				
Accounts payable	$ 276,057	$ 78,740	$ 859,269	$ 1,214,066
Accrued liabilities	37,517	-	2,945	40,462
Accrued interest payable	10,885	-	183,989	194,874
Deposits payable	43,576	-	-	43,576
Long term liabilities - current portion	379,002	-	397,103	776,105
Total Current Liabilities	747,037	78,740	1,443,306	2,269,083
Non Current Liabilities				
Compensated absences	71,277	-	7,494	78,771
Loans payable	-	-	6,342,147	6,342,147
Bonds payable	858,762	-	4,424,238	5,283,000
Total Non Current Liabilities	930,039	-	10,773,879	11,703,918
Total Liabilities	1,677,076	78,740	12,217,185	13,973,001
NET ASSETS:				
Invested in capital assets, net of related debt	52,572,734	-	-	53,800,996
Unrestricted	8,152,579	5,346,854	(4,175,045)	8,096,126
Total Net Assets	60,725,313	5,346,854	(4,175,045)	61,897,122
Total Liabilities and Net Assets	$62,402,389	$ 5,425,594	$ 8,042,140	$75,870,123

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Water				
	Operating	Water Conservation	Capital Replacement	Capital	Totals
ASSETS					
Current Assets					
Cash	$ 3,845,525	$ -	$ 2,891,858	$ 32,839	$ 6,770,222
Investments	-	-	-	5,734,464	5,734,464
Accounts receivable	856,141	-	-	-	856,141
Interest receivable	22,056	-	17,935	16,545	56,536
Prepaid expenses	6,339	-	-	-	6,339
Inventory	59,203	-	-	-	59,203
Total Current Assets	4,789,264	-	2,909,793	5,783,848	13,482,905
Non Current Assets					
Deferred issuance costs, net	72,200	-	-	-	72,200
Capital assets, net of accumulated depreciation	21,882,796	-	-	-	21,882,796
Total Non Current Assets	21,954,996	-	-	-	21,954,996
Total Assets	$26,744,260	$ -	$ 2,909,793	$ 5,783,848	$35,437,901
LIABILITIES					
Current Liabilities					
Accounts payable	$ 228,947	$ -	$ 464	$ 15,393	$ 244,804
Accrued liabilities	34,165	-	-	2,453	36,618
Accrued interest payable	1,010	-	-	53,696	54,706
Deposits payable	43,576	-	-	-	43,576
Long term liabilities - current portion	10,019	-	-	145,500	155,519
Total Current Liabilities	317,717	-	464	217,042	535,223
Non Current Liabilities					
Compensated absences	56,348	-	-	5,639	61,987
Bonds payable	83,262	-	-	4,278,738	4,362,000
Total Non Current Liabilities	139,610	-	-	4,284,377	4,423,987
Total Liabilities	457,327	-	464	4,501,419	4,959,210
NET ASSETS:					
Invested in capital assets, net of related debt	21,737,296	-	-	-	17,365,277
Unrestricted	4,549,637	-	2,909,329	1,282,429	13,113,414
Total Net Assets	26,286,933	-	2,909,329	1,282,429	30,478,691
Total Liabilities and Net Assets	$26,744,260	$ -	$ 2,909,793	$ 5,783,848	$35,437,901

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Water Reclamation			
	Operating	Capital Replacement	Capital	Totals
OPERATING REVENUES				
Charges for services, net of refunds	$ 6,942,868	$ -	$ 1,124,950	$ 8,067,818
Other revenue	199,899	-	75	199,974
Total Operating Revenue	7,142,767	-	1,125,025	8,267,792
OPERATING EXPENSES				
Salaries and benefits	1,983,106	-	157,968	2,141,074
Materials, supplies, and operational expenses	908,765	226,527	318,608	1,453,900
Repairs and maintenance	392,797	-	-	392,797
Insurance	55,574	-	-	55,574
Contractual services	766,298	-	-	766,298
Taxes and licenses	32,366	-	-	32,366
Utilities	538,548	-	-	538,548
Depreciation	1,981,611	-	-	1,981,611
Total Operating Expenses	6,659,065	226,527	476,576	7,362,168
Operating Income (Loss)	483,702	(226,527)	648,449	905,624
NON-OPERATING REVENUES (EXPENSES)				
Amortization expense	(42,881)	-	-	(42,881)
Rental income	126,475	-	25,403	151,878
Interest income	167,824	188,598	381,402	737,824
Interest expense	(460,112)	-	-	(460,112)
Property taxes	28,437	-	-	28,437
Total Non-Operating Revenues (Expenses)	(180,257)	188,598	406,805	415,146
Income (Loss) Before Contributions and Transfers	303,445	(37,929)	1,055,254	1,320,770
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	3,032,663	-	-	3,032,663
Transfers out	(121,379)	-	(2,916,878)	(3,038,257)
Capital contributions	703,199	-	-	703,199
Total Transfers and Capital Contributions	3,614,483	-	(2,916,878)	697,605
Change in net assets	3,917,928	(37,929)	(1,861,624)	2,018,375
Total Net Assets - July 1, 2007	56,807,385	5,384,783	(2,313,421)	59,878,747
Total Net Assets - June 30, 2008	$ 60,725,313	$ 5,346,854	$ (4,175,045)	$ 61,897,122

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Water				
	Operating	Water Conservation	Capital Replacement	Capital	Totals
OPERATING REVENUES					
Charges for services, net of refunds	$ 4,512,010	$ -	$ -	$ 130,641	$ 4,642,651
Other revenue	54,998	-	-	76	55,074
Total Operating Revenue	4,567,008	-	-	130,717	4,697,725
OPERATING EXPENSES					
Salaries and benefits	1,844,110	-	-	111,845	1,955,955
Materials, supplies, and operational expenses	1,048,841	-	34,244	258,124	1,341,209
Repairs and maintenance	446,501	-	-	-	446,501
Insurance	53,865	-	-	-	53,865
Contractual services	22,766	-	-	-	22,766
Taxes and licenses	15,059	-	-	-	15,059
Utilities	333,312	-	-	-	333,312
Depreciation	1,023,097	-	-	-	1,023,097
Total Operating Expenses	4,787,551	-	34,244	369,969	5,191,764
Operating Income (Loss)	(220,543)	-	(34,244)	(239,252)	(494,039)
NON-OPERATING REVENUES (EXPENSES)					
Amortization expense	(3,800)	-	-	-	(3,800)
Interest income	124,338	-	99,897	442,303	666,538
Interest expense	(220,202)	-	-	-	(220,202)
Total Non-Operating Revenues (Expenses)	(99,664)	-	99,897	442,303	442,536
Income (Loss) Before Contributions and Transfers	(320,207)	-	65,653	203,051	(51,503)
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Transfers in	403,394	-	800,000	-	1,203,394
Transfers out	(931,325)	(99,426)	-	(188,183)	(1,218,934)
Capital contributions	531,374	-	-	-	531,374
Total Transfers and Capital Contributions	3,443	(99,426)	800,000	(188,183)	515,834
Change in net assets	(316,764)	(99,426)	865,653	14,868	464,331
Total Net Assets - July 1, 2007	26,603,697	99,426	2,043,676	1,267,561	30,014,360
Total Net Assets - June 30, 2008	$ 26,286,933	$ -	$ 2,909,329	$ 1,282,429	$ 30,478,691

AGENCY FUNDS

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

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

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

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

In-Lieu Agency Fund
This fund is used to account for fees paid by developers in lieu of construction of improvements.

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

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

Miscellaneous Fund
This fund is used to account for contributions for EIR Studies.

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2008

	Bonita Roble Trust Fund	Mitchell Shiloh Conde Assessment District	In-Lieu Agency Fund	Performance Bond Fund	Golf Course Fund	Miscellaneous Fund	Totals
ASSETS							
Cash	$ 13,998	$ 642,138	$ 91,072	$ 895,261	$ 119,143	$ 70,399	$ 1,832,011
Investments	3,694	257,300	12,693	30,617	24,930	59,276	388,510
Accounts receivable	-	-	-	-	-	14,653	14,653
Interest receivable	99	4,835	606	18	802	35	6,395
Total Assets	$ 17,791	$ 904,273	$ 104,371	$ 925,896	$ 144,875	$ 144,363	$ 2,241,569
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ 7,485	$ 1,362	$ 37,135	$ 45,982
Deposits payable	17,791	-	88,242	918,411	143,513	107,228	1,275,185
Due to special assessment districts	-	904,273	16,129	-	-	-	920,402
Total Liabilities	$ 17,791	$ 904,273	$ 104,371	$ 925,896	$ 144,875	$ 144,363	$ 2,241,569

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

To the Town Council of
the Town of 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, 2008, which collectively comprise the Town of Windsor's basic financial statements and have issued our report thereon dated October 16, 2008. 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 opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 October 16, 2008.

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

Sacramento, California
October 16, 2008