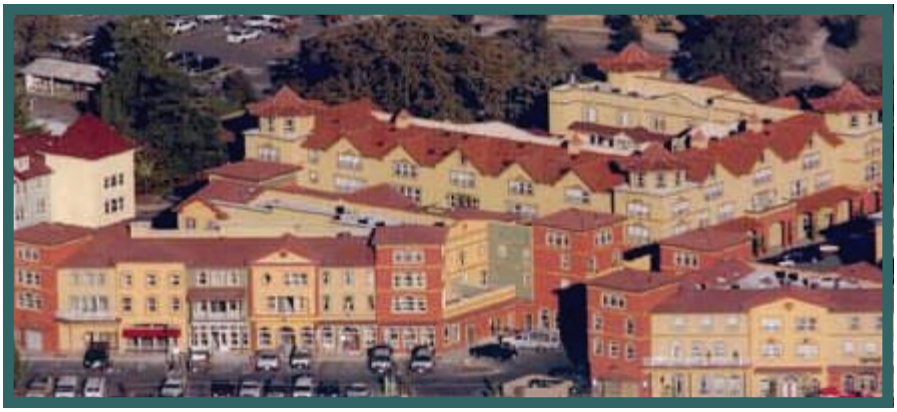
The Redevelopment Agency of the Town of Windsor



Annual Financial Report

For the Year Ended

June 30, 2008

with

Independent Auditor's Report

and

Supplementary Information

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
of the Redevelopment Agency of
the Town of Windsor
Windsor, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the Town of Windsor (the Agency), a component unit of the Town of Windsor, as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Agency'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 component unit 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Redevelopment Agency of the Town of Windsor as of June 30, 2008, and the respective changes in the financial position, thereof 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 Agency's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's Discussion and Analysis and Required Supplemental Information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and we express no opinion on it.

Mann Urrutia Nelson

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDOR
MANAGMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

As management of the Redevelopment Agency of the Town of Windsor (the Agency), we offer readers of the Agency's financial statements this narrative overview of the financial activities of the Agency as of and for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information, which can be found in the financial statements, which follow this discussion.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., investment income that was earned but not received).

The government-wide financial statements present information about the functions of the Redevelopment Agency that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Agency include the administration of the Agency and its housing and community development projects.

The Agency is considered a blended component unit, which means it is a separate legal entity, but its financial activity is additionally reported in the government-wide financial statements of its primary government, the Town of Windsor.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements - A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental funds are used to account for governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains 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 Redevelopment Agency's Housing Set-Aside Special Revenue Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds.

The Agency adopts a biennial appropriated budget for its major funds. The basic financial statements include a budgetary comparison statement for each major special revenue fund to demonstrate compliance with the biennial budget. This budgetary comparison statement is provided in the required supplementary section of this report.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the basic financial statements - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. The summarized analysis below addresses the financial statements of the Agency as a whole.

The largest portion of the Agency's net assets reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt used to acquire those assets. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Agency's investment in its 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.

NET ASSETS

JUNE 30, 2008 and 2007

	2008	2007
Current and other assets	$ 17,880,725	$ 15,772,173
Capital assets	4,677,568	4,319,228
Total Assets	22,558,293	20,091,401
Current and other liabilities	816,344	560,007
Long term liabilities	8,920,387	9,251,362
Total Liabilities	9,736,731	9,811,369
Net Assets:		
Invested in capital assets, net of related debt	(3,252,432)	(3,940,772)
Unrestricted	16,073,994	14,220,804
Total Net Assets	$ 12,821,562	$ 10,280,032

CHANGE IN NET ASSETS

JUNE 30, 2008 and 2007

	2008	2007
Revenues:		
General:		
Property taxes	$ 3,309,775	$ 3,445,493
Use of money and property	989,118	840,005
Other revenue	164,235	-
Transfer from the Town of Windsor	746,208	130,000
Total Revenues	5,209,336	4,415,498
Expenses:		
General government	25,000	-
Community development	1,317,067	2,288,904
Housing	197,495	-
Interest on long-term liabilities	378,386	385,851
Transfer to the Town of Windsor	749,858	3,649
Total Expenses	2,667,806	2,678,404
Change in Net Assets	$ 2,541,530	$ 1,737,094

The following items impacted Agency-wide revenues for the fiscal year ended June 30, 2008:

- Incremental tax revenues were down from the previous fiscal year. This was due to the flattening assessed values and an increase in pass-through payments required by the Community Redevelopment Law Reform Act (AB 1290) adopted in 1993.

- Use of money and property were up from the previous fiscal year primarily due to more aggressive investments than in the previous year.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Agency's financial requirements.

The Redevelopment Agency Housing Set-Aside Special Revenue Fund is also known as the "Low/Mod Income Housing Fund." By statute, twenty percent of the gross tax increment revenues that come to the Redevelopment Agency are to be used to increase and maintain the supply of low and moderate-income housing. This fund accounts for the receipt and use of these restricted revenues. During the fiscal year, revenues were derived from tax increment and use of money and property. Expenditures were primarily for the Affordable Housing/Implement Housing Element Program.

The Redevelopment Agency Debt Service Fund is used to accumulate resources for the payment of principal and interest on debt of the Agency. During the fiscal year, interest expenditures amounted to $347,208.

The Redevelopment Agency Capital Projects Fund is used to account for the Agency's general administration and operating costs as well as the Agency's capital improvement projects, except for those accounted for in the Agency's Housing fund. Expenditures totaling $1,909,348 were spent on capital outlay projects.

BUDGETARY HIGHLIGHTS

There was a $810,197 increase in appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2008. Significant changes include a $753,536 increase to cover a redevelopment loan with a local developer building a multi-family affordable housing project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The Agency's investment in capital assets for its governmental activities, as of June 30, 2008, amounts to $4,677,568, net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment.

Long-term liabilities - The Agency's outstanding long-term liabilities, including bonds and compensated absences were $9,264,977 at June 30, 2008. The Agency's outstanding long-term liabilities decreased by $318,116 (3%) in fiscal year 2008 as a result of normal maturity of existing debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the Agency'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 95492-100.

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	
Cash and cash equivalents (Note 2)	$ 12,812,622
Restricted cash and cash equivalents (Note 2)	323,029
Investments (Note 2)	557,857
Accounts receivable	14,176
Interest receivable	81,332
Prepaid expenses	1,565
Deferred charges - net of accumulated amortization	554,156
Notes and loans receivable (Note 4)	3,180,774
Land held for redevelopment	355,214
Capital assets (Note 5)	
Land and construction in progress	2,706,790
Capital assets, net of depreciation	1,970,778
Total capital assets	4,677,568
Total Assets	$ 22,558,293
LIABILITIES	
Accounts payable and accrued expenses	$ 360,341
Interest payable	111,413
Long-term liabilities (Note 6):	
Due within one year	344,590
Due in more than one year	8,920,387
Total Liabilities	9,736,731
NET ASSETS	
Restricted for:	
Invested in capital assets, net of related debt	(3,252,432)
Unrestricted	16,073,994
Total Net Assets	12,821,562
Total Liabilities and Net Assets	$ 22,558,293

See accompanying notes to the financial statements

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
General government	$ 25,000	$ -	$ -	$ (25,000)
Community development	1,317,067	-	-	(1,317,067)
Interest on long -term debt	378,386	-	-	(378,386)
Housing	197,495	-	-	(197,495)
Total Governmental Activities	$ 1,917,948	$ -	$ -	$ (1,917,948)
General revenues:				
Taxes:				
Incremental property taxes				$ 3,309,775
Use of money and property				989,118
Miscellaneous				164,235
Transfers:				
Transfers from other funds of the Town (Note 3)				746,208
Transfers to other funds of the Town (Note 3)				(749,858)
Total general revenues and transfers				4,459,478
Change in net assets				2,541,530
Net assets - July 1, 2007				10,280,032
Net assets - June 30, 2008				$ 12,821,562

See accompanying notes to the financial statements

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Housing Set-Aside Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
ASSETS				
Cash and cash equivalents	$ 2,555,408	$ 6,969,307	$ 3,287,907	$ 12,812,622
Restricted cash and cash equivalents	-	323,029	-	323,029
Investments	557,857	-	-	557,857
Accounts receivable	2,835	11,341	-	14,176
Interest receivable	15,148	44,933	21,251	81,332
Prepaid expenditures	-	1,565	-	1,565
Notes receivable	3,180,774	-	-	3,180,774
Land held for resale	355,214	-	-	355,214
Total Assets	$ 6,667,236	$ 7,350,175	$ 3,309,158	$ 17,326,569
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 111,723	$ 1,750	$ 201,798	$ 315,271
Accrued expenditures	3,256	-	41,814	45,070
Deferred revenue	3,180,774	-	-	3,180,774
Total Liabilities	3,295,753	1,750	243,612	3,541,115
FUND BALANCES:				
Reserved for:				
Land held for resale	355,214	-	-	355,214
Prepaid expenditures	-	1,565	-	1,565
Debt service	-	7,346,860	-	7,346,860
Low and moderate income housing	3,016,269	-	-	3,016,269
Unreserved: Undesignated	-	-	3,065,546	3,065,546
Total Fund Balances	3,371,483	7,348,425	3,065,546	13,785,454
Total Liabilities and Fund Balances	$ 6,667,236	$ 7,350,175	$ 3,309,158	

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 the Governmental Funds (net of accumulated depreciation of $691,850)	4,677,568
Revenues which are deferred on the fund balance sheets because they are not available currently are taken into revenue in the Statement of Activities	3,180,774
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:	
Advances payable	(1,313,000)
Deferred charges	554,156
Bonds payable	(7,930,000)
Accrued interest on bonds payable	(111,413)
Accrued compensated absences	(21,977)
Net assets of governmental activities	$ 12,821,562

See accompanying notes to the financial statements

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Housing Set-Aside Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES				
Property tax incremental revenue	$ 661,955	$ 2,647,820	$ -	$ 3,309,775
Use of money and property	600,837	253,955	134,326	989,118
Other revenues	-	-	164,235	164,235
Total Revenues	1,262,792	2,901,775	298,561	4,463,128
EXPENDITURES				
Current operations:				
General government	-	-	25,000	25,000
Community development	3,310	-	423,267	426,577
Housing	197,495	-	-	197,495
Debt service:				
Principal	-	330,000	-	330,000
Interest and fiscal charges	-	347,208	-	347,208
Capital outlay	984,775	-	924,573	1,909,348
Total Expenditures	1,185,580	677,208	1,372,840	3,235,628
Excess (deficiency) of revenues over expenditures	77,212	2,224,567	(1,074,279)	1,227,500
OTHER FINANCING SOURCES (USES)				
Transfers from other funds of the Town	-	-	746,208	746,208
Transfers to other funds of the Town	-	(749,858)	-	(749,858)
Total other financing sources (uses)	-	(749,858)	746,208	(3,650)
Net change in fund balance	77,212	1,474,709	(328,071)	1,223,850
Fund balances - July 1, 2007	3,294,271	5,873,716	3,393,617	12,561,604
Fund balances - June 30, 2008	$ 3,371,483	$ 7,348,425	$ 3,065,546	$ 13,785,454

See accompanying notes to the financial statements

THE REDEVELOPMENT AGENCY OF THE 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	$	1,223,850
Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset purchases capitalized		463,763
Depreciation expense		(105,423)
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		330,000
Issuance costs and discounts related to 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 deferred charges		(34,278)
Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenues and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Assets		672,402
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued compensated absences		(11,884)
Interest payable on long-term debt		3,100
Change in net assets of governmental activities	$	2,541,530

See accompanying notes to the financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Agency of the Town of Windsor (the "Agency") was established on July 1, 1993, under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000). At that time, the Agency assumed responsibility for the Windsor Project Area from the Sonoma County Community Development Commission. The Windsor Project Area was established on November 27, 1984, with the adoption of the Redevelopment Plan and encompasses approximately 468 acres in the Windsor area. The primary purpose of the Agency is to eliminate blighted areas by encouraging and assisting development of residential, commercial, industrial, recreational, and public facilities. The Agency receives incremental tax revenues on the developed property due to increases in assessed value. The Agency functions as an independent entity and its policies are determined by the Council of the Town in a separate capacity as members of the Redevelopment Agency Board. All staff work is performed by the officials and staff of the Town, or by consultants to the Agency.

The Agency is a blended component unit of the Town and is accounted for as separate funds of the Town. The funds are included as a component unit of the basic financial statements of the Town. The Agency is a separate legal entity subject to oversight by the Town Council of Windsor. As the primary governing unit of the Agency, the Town Council exercises significant financial and management control over the Agency.

A. Basis of Presentation

The Agency'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 United States of America.

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

Government-wide Financial Statements:

The statement of net assets and statement of activities include the activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities. The Agency's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Agency first utilizes restricted resources to finance qualifying activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency'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 Agency. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds. A fund is considered major if it is the primary operating fund of the Agency 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the financial reporting entity are described below:

Governmental Funds

Housing Set-Aside Special Revenue Fund - The Housing Set-Aside Special Revenue Fund is the general operating fund of the Agency and is always classified as a major fund. This fund accounts for the portion of Town and County tax increment funds received for redevelopment related purposes and set aside for low-and-moderate-income housing.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the Agency.

Capital Project Fund - The Capital Project Fund is used to account for financial resources used for the acquisition or construction of major capital facilities of the Agency.

Major Funds

All of the Agency's funds as listed above were reported as major governmental funds in the accompanying financial statements.

B. 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.

The government-wide financial statements are reported using the *economic resources* measurement focus and the *full accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

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

Non-exchange transactions, in which the Agency gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, the liability is recognized by the fund responsible for paying the debt, not the debt service fund.

Certain indirect costs are included in program expenses reported for individual functions and activities.

C. Cash and Investments

The Agency pools the cash of all funds with the Town, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investment balance in each fund represents that fund's equity share of the Town's cash and investment pool.

The Agency'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 governmental funds. Changes in fair value are allocated to each participating fund.

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.

D. Capital Assets

The accounting treatment over capital assets depends on whether the assets 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 ($50,000 for infrastructure) are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

With the implementation of GASB Statement 34, the Agency has recorded all public domain (infrastructure) capital assets. 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	10 - 25 years
Infrastructure	30 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 Agency's liability for compensated absences is recorded in the government-wide statement of net assets for governmental funds. 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.

F. Long Term Liabilities

In the government-wide financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the 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.

G. Revenues

The Agency’s primary source of revenue is property taxes, referred to in the accompanying financial statements as "incremental property taxes". Property taxes allocated to the Agency are computed in the following manner:

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.

2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the “frozen” assessed valuation of the property are allocated to the Town and other districts receiving taxes from the project area.

The Agency has no power to levy tax but does receive tax increment revenue from the Town's property tax through Sonoma County. Any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the Town. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the Town. The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the Town, the state and federal governments, interest income, and the issuance of Agency debt.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Tax

Sonoma County administers all property taxes for the Agency. The County assesses properties, bills, collects, and distributes property taxes to the Agency. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

Secured and unsecured property taxes are levied on July 1 of the preceding fiscal year. Taxes are levied on both real and secured 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.

Tax assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the installments are due on November 1 and February. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the county which retains all penalties.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed provided they become available as defined above.

I. Equity Classifications

Government-wide Statements

Net Assets are the excess of all the Agency'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 restricted as to use either by (1) the terms and conditions of agreements with outside parties, governmental regulations, or laws; or (2) laws enacted 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Budgets and Budgetary Accounting

The budget for the Agency is adopted by the Town Council members, in their capacity as members of the Redevelopment Agency Board, and provides for the general operation of the capital projects, special revenue, and debt service funds. The budget becomes effective on July 1 of every other year. Debt service on bond issues constitutes a legally authorized "nonappropriated budget". Although encumbrance accounting is not employed and all appropriations lapse at fiscal year end, project-length plans are adopted for the Agency with funds unexpended at June 30 reappropriated the following fiscal year.

Expenditures in excess of budgeted amounts are allowed by law but must be approved individually by the Town Manager. There were no significant nonbudgeted financial activities.

K. Use of Estimates

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

NOTE 2: CASH AND INVESTMENTS

The Agency follows the Town's practice of pooling its cash and investments for all funds except for cash and investments required to be held by outside fiscal agents under the provisions of bond indentures.

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investment pools	$ 12,812,622
Cash and investment pools held by bond trustee	323,029
Investments	557,857
Total cash and investments	$ 13,693,508

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

Cash in investment pools	$ 14,620,930
Cash with fiscal agent (overdraft)	(95,859)
Investments	557,857
Cash in banks (overdraft)	(1,389,420)
Total cash and investments	$ 13,693,508

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the Agency's Investment Policy

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

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 Agency'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 Agency'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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity as of June 30, 2008:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	$ 14,620,930	$ -	$ 14,620,930
Investments	557,857	-	557,857
Held by bond trustee:			
Money market funds	323,029	-	323,029
	$ 15,501,816	$ -	$ 15,501,816

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Agency 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 Agency 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 Agency 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 Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Agency pools its cash with the Town of Windsor including deposit accounts and the Sonoma Investment Pool.

Investment in State and County Investment Pool

The Agency 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 Agency's investment in these pools are reported in the accompanying financial statements at amounts based upon the Agency'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 3: TRANSACTIONS BETWEEN THE TOWN AND RDA

Transfers between the Town of Windsor and the Redevelopment Agency during the fiscal year ended June 30, 2008 were as follows:

Transfers between the Redevelopment Agency and the Town of Windsor	Amount Transferred
Transfer from the RDA Debt Service Fund to the Lighting & Landscaping Assessment Fund for tax increment revenue.	$ (3,650)
Transfer from the RDA Debt Service Fund to the General Fund for scheduled debt service.	(746,208)
Transfer from the General Fund to the RDA Capital Project Fund as a loan.	746,208
Net Total Transfers	$ (3,650)

NOTE 4: NOTES 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, are comprised of 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 Notes Receivable	$ 3,180,774

NOTE 4: NOTES AND LOANS RECEIVABLE (CONTINUED)

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 shown 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.

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 - 06 fiscal year and the notes were dissolved leaving one note outstanding for $50,000. 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 renal projects (Windsor Redwoods). The total loan requested was $900,000, however 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 fill. Annual payments on the outstanding principal and accrued interest in an amount equal 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 5: CAPITAL ASSETS

The following is a summary of capital assets related to governmental activities of the Agency for the year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Retirements	Balance at June 30, 2008
Governmental activities:				
Capital assets not being depreciated				
Land	$ 2,236,279	$ -	$ -	$ 2,236,279
Construction-in-progress	6,748	463,763	-	470,511
Total capital assets not being depreciated	2,243,027	463,763	-	2,706,790
Capital assets being depreciated				
Buildings	330,000	-	-	330,000
Improvements	2,332,628	-	-	2,332,628
Total capital assets being depreciated	2,662,628	-	-	2,662,628
Less accumulated depreciation				
Buildings	(42,900)	(6,600)	-	(49,500)
Improvements	(543,527)	(98,823)	-	(642,350)
Total accumulated depreciation	(586,427)	(105,423)	-	(691,850)
Total capital assets, net	$ 4,319,228	$ 358,340	$ -	$ 4,677,568

Depreciation was charged to functions as follows:

Governmental Activities:	
Community development	$ 105,423

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions related to governmental activities of the Agency for the year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Tax Allocation Bonds:					
Series 1998	$ 3,640,000	$ -	$ 135,000	$ 3,505,000	$ 140,000
Series 2004	4,620,000	-	195,000	4,425,000	200,000
Total Bonds Payable	8,260,000	-	330,000	7,930,000	340,000
Long-term advances from the Town of Windsor	1,313,000	-	-	1,313,000	-
Compensated Absences	10,093	16,474	4,590	21,977	4,590
Total Long Term Liabilities	$ 9,583,093	$ 16,474	$ 334,590	$ 9,264,977	$ 344,590

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2008 follows:

A. 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. The bonds are secured by a first pledge of and a lien on all of the pledged tax revenues. The outstanding principal balance of the 1998 bonds at June 30, 2008 is $3,505,000.

The scheduled annual minimum debt service requirements at June 30, 2008 are as follows:

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

B. 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 2006. Interest is payable on September 1 and March 1 of each year through September 2024. 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 is $4,425,000.

The scheduled annual minimum debt service requirements at June 30, 2008 are as follows:

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

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

C. Long-term advances from the Town of Windsor

The advances from the Town of Windsor have a 0% interest rate. The repayment of such advances shall be subordinate to all other obligations of indebtness incurred by the Agency. There is no future minimum debt service requirement, as repayment will be made when funds are available. The outstanding balance on the advances at June 30, 2008 is $1,313,000.

D. Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The liability for compensated absences is determined annually. Amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

The net changes of accrued vacation and sick leave liabilities are allocated to the Community Development function on the Statement of Activities.

REQUIRED SUPPLEMENTAL INFORMATION

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
HOUSING SET-ASIDE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	2007-2008 Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
REVENUES				
Property tax increment revenue	$ 625,000	$ 625,000	$ 661,955	$ 36,955
Use of money and property	100,000	100,000	600,837	500,837
Total Revenues	725,000	725,000	1,262,792	537,792
EXPENDITURES				
Current operations:				
Community development	8,050	8,050	3,310	(4,740)
Housing	232,096	259,978	197,495	(62,483)
Capital outlay	884,266	1,637,802	984,775	(653,027)
Total Expenditures	1,124,412	1,905,830	1,185,580	(720,250)
Excess (deficiency) of revenues over expenditures	(399,412)	(1,180,830)	77,212	1,258,042
Fund balance - July 1, 2007			3,294,271	
Fund balance - June 30, 2008			$ 3,371,483	

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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*

Members of the Governing Board
of the Redevelopment Agency of the Town of Windsor
Windsor, California

We have audited the financial statements of Redevelopment Agency of the Town of Windsor, a component unit of the Town of Windsor, as of and for the year ended June 30, 2008, 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 Redevelopment Agency of the Town of Windsor'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 Redevelopment Agency of the Town of Windsor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Redevelopment Agency of the Town of Windsor'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 Redevelopment Agency of the Town of Windsor'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 Redevelopment Agency of the Town of Windsor's financial statements that is more than inconsequential will not be prevented or detected by the Redevelopment Agency of the Town of Windsor'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 Redevelopment Agency of the Town of Windsor'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

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

This report is intended solely for the information and use of the Agency Board, management and the State Controller, however, this report is a matter of public record and its distribution is not limited.

Mann Urrutia Nelson LLP

Sacramento, California
October 16, 2008

PRINCIPALS

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