TOWN OF WINDSOR

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010



TOWN OF WINDSOR

TOWN OF WINDSOR
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor as of June 30, 2010, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010 on our consideration of the Town of Windsor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windsor's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sacramento, California
December 6, 2010

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, 2010. 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.

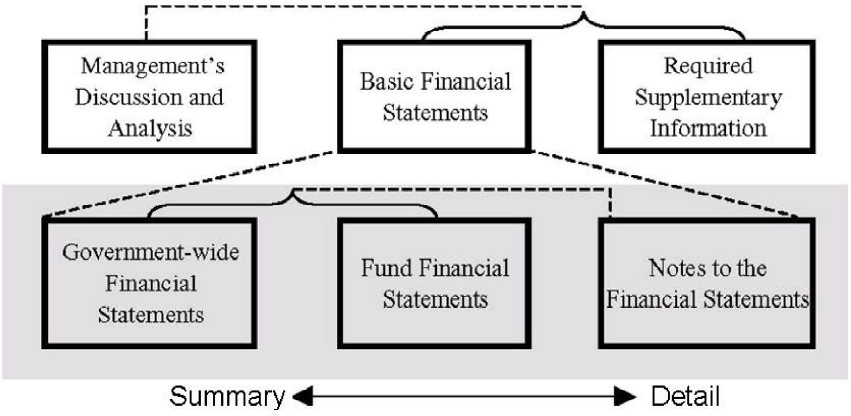
FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $271,822,517 (net assets). Of this amount, $72,760,218 (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 $475,675 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 $50,022,544, a decrease of $1,310,319, after expenditures for capital projects. Approximately $32,025,163 or 64% of the ending fund balances are available for spending at the Town's discretion (unreserved fund balance).
- The Town's total long-term liabilities increased by $333,477 (0.9%) during the fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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-five individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Replacement Fund, Traffic Mitigation Capital Projects Fund, RDA 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

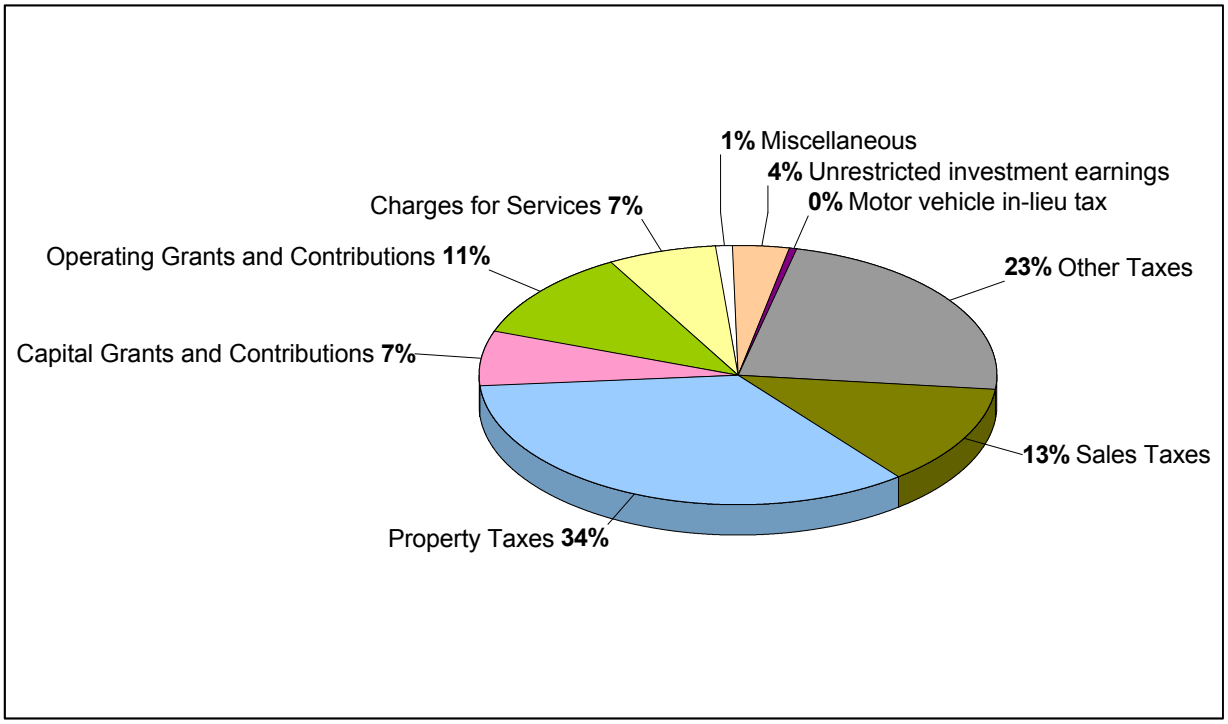
JUNE 30, 2010 AND 2009

	Governmental Activities		Business-type Activities		Total Government	
ASSETS	2010	2009	2010	2009	2010	2009
Current and other assets	$ 58,253,757	$ 59,067,524	$ 35,552,950	$ 36,782,396	$ 93,806,707	$ 95,849,920
Capital assets	143,334,548	141,232,366	77,943,585	75,686,171	221,278,133	216,918,537
Total assets	201,588,305	200,299,890	113,496,535	112,468,567	315,084,840	312,768,457
LIABILITIES						
Current liabilities	4,778,771	3,563,423	3,290,262	2,397,837	8,069,033	5,961,260
Long-term liabilities	20,381,323	20,256,041	14,811,967	15,204,314	35,193,290	35,460,355
Total liabilities	25,160,094	23,819,464	18,102,229	17,602,151	43,262,323	41,421,615
NET ASSETS						
Invested in capital assets, net of related debt	122,039,548	120,642,366	77,022,751	75,686,171	199,062,299	196,328,537
Unrestricted	54,388,663	55,838,060	18,371,555	19,180,245	72,760,218	75,018,305
Total net assets	$176,428,211	$176,480,426	$ 95,394,306	$ 94,866,416	$271,822,517	$271,346,842

By far the largest portion of the Town's net assets (73%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

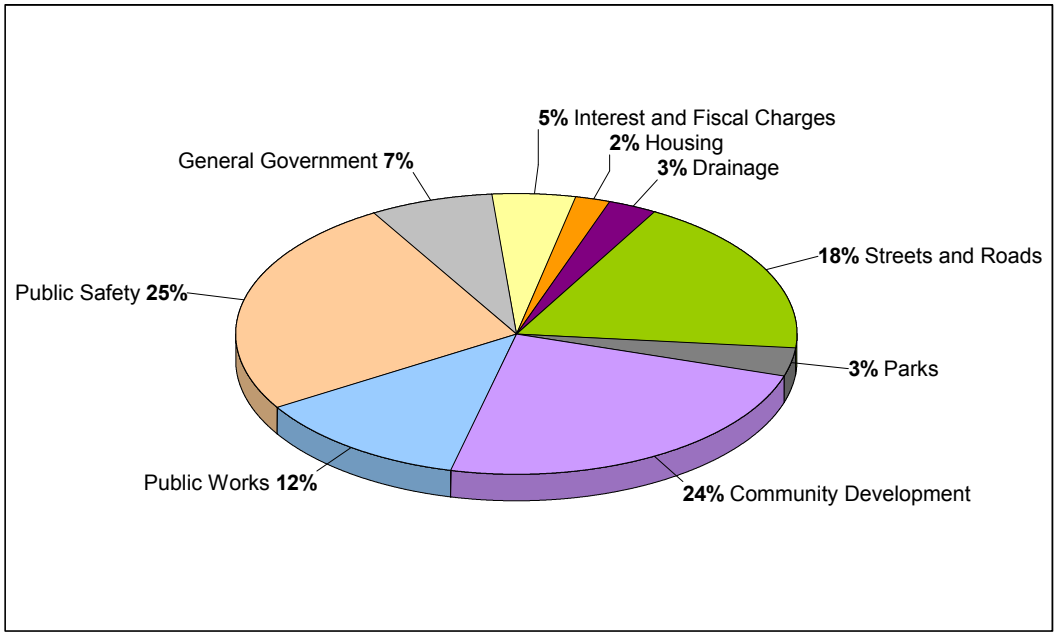
Governmental activities: Significant revenues of the governmental activities are taxes (70%), which include property taxes, sales taxes, and other taxes. Program revenues are 25% of the total revenues of the governmental activities, which include charges for services, operating contributions and grants, and capital contributions and grants. Tax revenues declined by 4% due a reduction in property tax values and a reduction in sales tax. Operating grants and contributions decreased by 32% primarily due to reductions in Proposition 1b funding and a reduction in park mitigation funding. Capital grants and contributions decreased by 79% due to a reduction in donated infrastructure.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2010

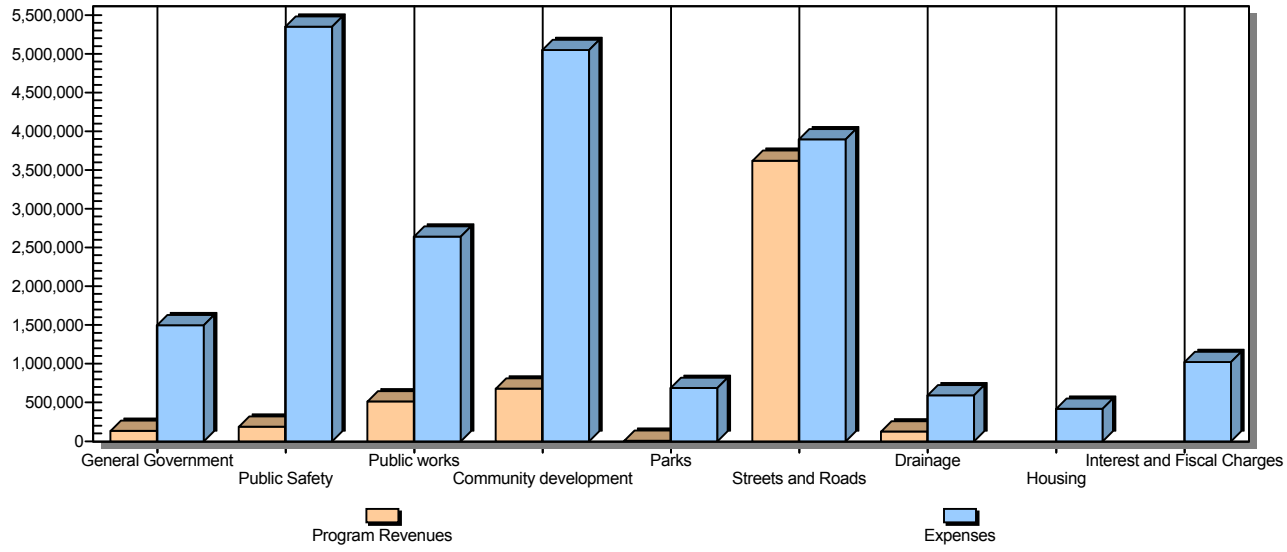


As for expenses, public safety are the most significant (25%) of all governmental activities expenses, followed by community development (24%), streets and roads (18%), public works (12%), general government (7%), parks (3%), interest on long-term liabilities (5%), and various other programs (5%). Included in these amounts is depreciation expense, which is 16% of the total expenses for governmental activities.

EXPENSES BY FUNCTION/PROGRAM - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2010



COMPARISON OF EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2010
(in dollars)



Business-type activities: In the fiscal year ended June 30, 2010 business-type activities increased the Town's net assets by $527,890. This represents a decrease in net assets over last year of $1,962,713. Key elements of this change are as follows:

Charges for services decreased by $43,658 due to a decrease in water revenues which coincide with a drought condition that required conservation by our customers.

Operating grants and contributions decreased by $2,122,186 due to reduced spending on infrastructure (utility systems) for the water and water reclamation systems.

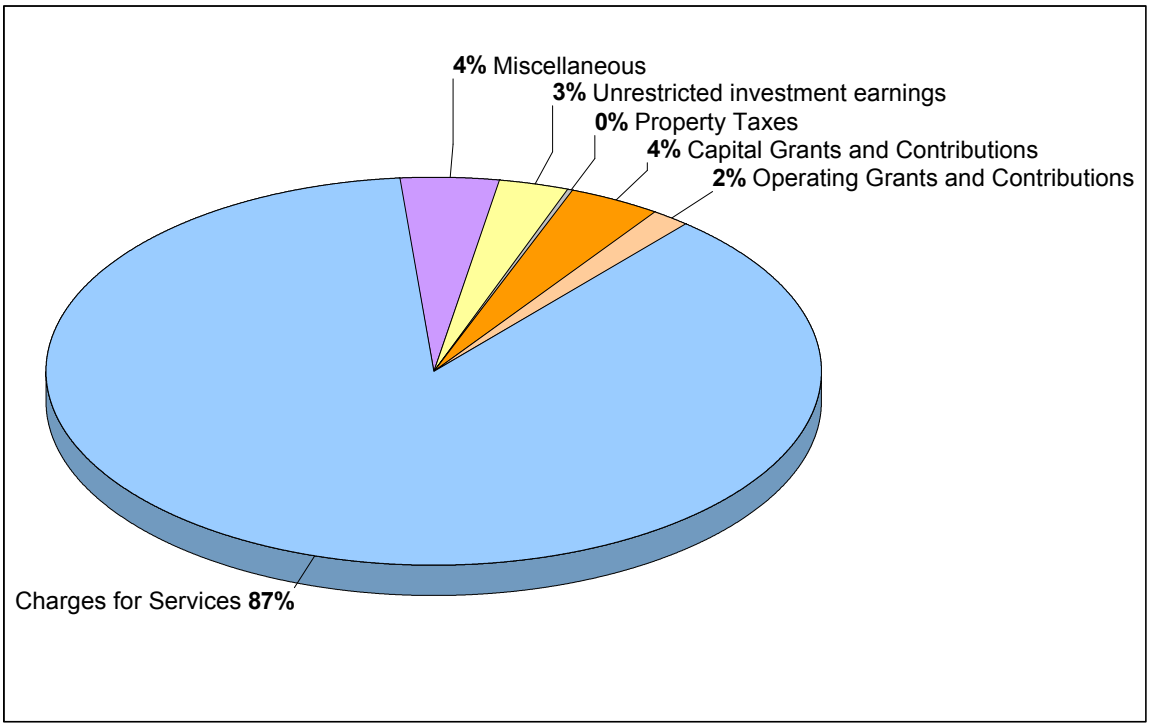
Operating expenses increased by $192,424. Salaries, benefits, and contractual services increased while supplies, depreciation, interest, and utilities showed a decrease.

Unrestricted investment earnings decreased by $443,096 primarily due to a lower rate of return over the previous year.

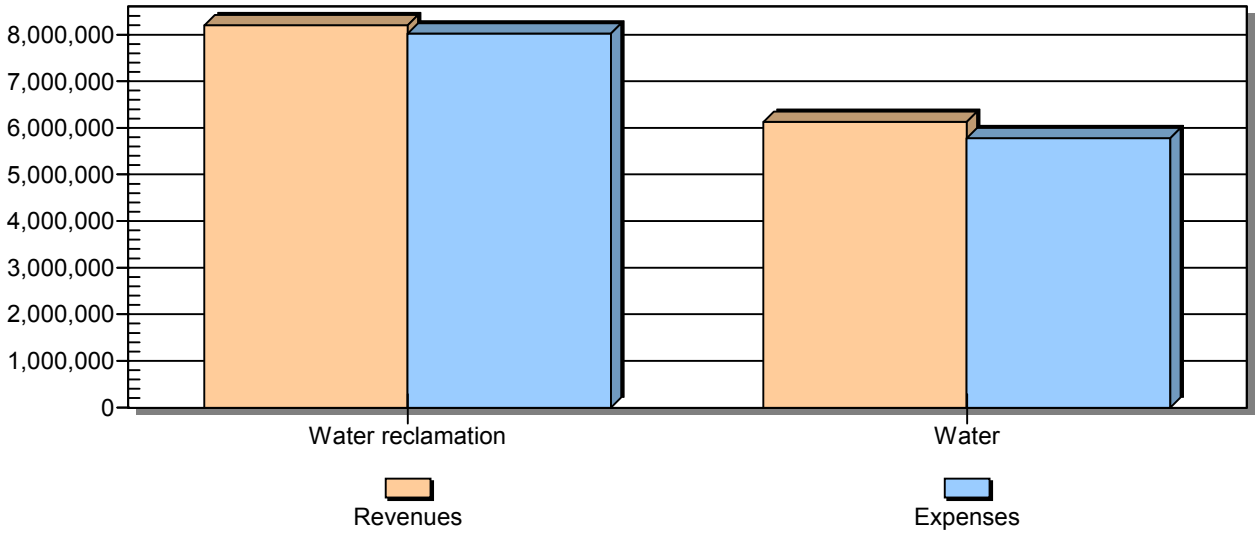
CHANGE IN NET ASSETS - BUSINESS - TYPE ACTIVITIES

REVENUES	2010	2009
Program revenues:		
Charges for services	$ 12,486,146	$ 12,529,804
Operating grants and contributions	228,232	2,350,418
Capital grants and contributions	550,638	-
General revenues:		
Property taxes	27,373	28,397
Unrestricted investment earnings	418,532	861,628
Miscellaneous	591,034	299,352
Total Revenues	14,301,955	16,069,599
EXPENSES		
Water reclamation	8,023,232	8,078,283
Water utility	5,778,103	5,530,628
Total Expenses	13,801,335	13,608,911
Excess before transfer	500,620	2,460,688
Transfer out	27,270	29,915
Increase in net assets	$ 527,890	$ 2,490,603

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2010



COMPARISON OF EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010, the Town's governmental funds reported total ending fund balance of $50,022,544, a decrease of $1,310,319 from the prior fiscal year. Cash decreased by $7.8 million while investments increased by $6.3 million, resulting in a net decrease in cash and investments. There was an overall decrease of approximately $1.2 million in expenditures which mostly related to capital outlay projects as the Town cut back on overall spending and activities from the prior year. Approximately 64% 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 $792,851 less than in the prior fiscal year, and expenditures decreased by $788,329. A decrease in tax revenues accounted for a significant portion of the decrease in revenues. Interest and other revenues also saw a decrease. General administration, public works, and community development accounted for most of the decrease 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 $349,806 in the 2009-10 fiscal year. This increase was primarily attributable to an increase in capital grant revenue of $550,638.

The Water Reclamation Utility's net assets increased $178,084 in the current fiscal year which was primarily due to the increase in net operating revenue of $383,530 due to a rate increase effective April 2009. FY 08/09 experienced only 2 months at the new rate while FY 09/10 experienced the full year.

CAPITAL ASSETS

Capital assets - The Town's investment in capital assets for its governmental and business-type activities at June 30, 2010, amounted to $221,278,133 (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 $6,455,374.

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Land	$ 32,310,417	$ 32,310,417	$ 6,893,707	$ 6,893,707
Rights of way	407	402	-	-
Construction in progress	24,374,539	19,718,848	9,714,583	4,820,878
Buildings	5,178,764	5,323,501	-	-
Improvements other than buildings	8,281,605	8,897,267	-	-
Equipment and machinery	152,193	176,461	225,222	320,880
Infrastructure	72,874,047	74,568,566	60,796,161	63,221,755
Vehicles	162,576	236,904	313,912	428,951
Total	$ 143,334,548	$ 141,232,366	$ 77,943,585	$ 75,686,171

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

DEBT ADMINISTRATION

Long-term liabilities - The Town's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled $37,322,451 at June 30, 2010. Of this total $21,529,323, or 58% was in governmental activities and $15,793,128, or 42% was in business-type activities. The Town's outstanding long-term liabilities increased by $333,477 or 1% in fiscal year 2010.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
General obligation bonds	$ -	$ -	$ 63,000	$ 95,000
Revenue bonds	13,585,000	13,815,000	9,050,000	9,550,000
Tax allocation bonds	5,460,000	6,775,000	-	-
Notes and loans payable	2,250,000	-	6,484,165	6,342,146
Compensated absences	234,323	228,041	195,963	183,787
Total	$ 21,529,323	$ 20,818,041	$ 15,793,128	$ 16,170,933

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a $141,737 decrease in appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2010. Additional budget figures are shown on page 53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	$ 36,939,603	$ 23,139,930	$ 60,079,533
Investments (Note 2)	11,853,390	7,885,730	19,739,120
Accounts receivable	2,607,547	3,130,910	5,738,457
Interest receivable	28,765	28,897	57,662
Notes receivable (Note 3)	3,587,828	-	3,587,828
Internal balances	(913,000)	913,000	-
Prepaid expenses	19,776	19,776	39,552
Inventory	91,958	63,023	154,981
Restricted cash and cash equivalents	2,732,199	86,734	2,818,933
Deferred charges, net of amortization (Note 6)	1,305,691	284,950	1,590,641
Capital assets (Note 5)			
Land and construction in progress	56,685,363	16,608,290	73,293,653
Other capital assets, net of depreciation	86,649,185	61,335,295	147,984,480
Total capital assets	143,334,548	77,943,585	221,278,133
Total Assets	$ 201,588,305	$ 113,496,535	$ 315,084,840
LIABILITIES			
Accounts payable	$ 3,089,971	$ 1,870,870	$ 4,960,841
Accrued liabilities	168,392	125,606	293,998
Accrued interest payable	187,077	224,287	411,364
Deposits payable	79,331	88,338	167,669
Accrued compensated absences (Note 6):			
Due within one year	39,000	28,000	67,000
Due in more than one year	195,323	167,963	363,286
Long-term liabilities (Note 6):			
Due within one year	1,215,000	953,161	2,168,161
Due in more than one year	20,080,000	14,644,004	34,724,004
Net OPEB obligation (Note 10)	106,000	-	106,000
Total Liabilities	25,160,094	18,102,229	43,262,323
NET ASSETS			
Invested in capital assets, net of related debt	122,039,548	77,022,751	199,062,299
Unrestricted	54,388,663	18,371,555	72,760,218
Total Net Assets	176,428,211	95,394,306	271,822,517
Total Liabilities and Net Assets	$ 201,588,305	$ 113,496,535	$ 315,084,840

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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	$ 1,495,714	$ 60,733	$ 71,577	$ -	$ (1,363,404)	$ -	$ (1,363,404)
Public safety	5,349,156	82,985	104,192	-	(5,161,979)	-	(5,161,979)
Public works	2,640,191	512,482	1,842	-	(2,125,867)	-	(2,125,867)
Community development	5,048,326	678,742	-	-	(4,369,584)	-	(4,369,584)
Parks	686,742	7,808	-	-	(678,934)	-	(678,934)
Streets and roads	3,894,730	69,725	2,220,439	1,329,524	(275,042)	-	(275,042)
Drainage	591,964	16,840	-	109,661	(465,463)	-	(465,463)
Housing	420,361	-	-	-	(420,361)	-	(420,361)
Interest and fiscal charges	1,021,862	-	-	-	(1,021,862)	-	(1,021,862)
Total governmental activities	21,149,046	1,429,315	2,398,050	1,439,185	(15,882,496)	-	(15,882,496)
Business-type activities:							
Water reclamation	8,023,232	7,634,992	46,780	-	-	(341,460)	(341,460)
Water	5,778,103	4,851,154	181,452	550,638	-	(194,859)	(194,859)
Total business-type activities	13,801,335	12,486,146	228,232	550,638	-	(536,319)	(536,319)
Total primary government	$ 34,950,381	$ 13,915,461	$ 2,626,282	$ 1,989,823	$ (15,882,496)	$ (536,319)	$ (16,418,815)
General revenues:							
Property taxes					$ 7,240,009	$ 27,373	$ 7,267,382
Sales taxes					2,665,805	-	2,665,805
Other taxes					4,878,555	-	4,878,555
Motor vehicle in-lieu tax					99,321	-	99,321
Unrestricted investment earnings					744,059	418,532	1,162,591
Miscellaneous					229,802	591,034	820,836
Transfers					(27,270)	27,270	-
Total general revenues and transfers					15,830,281	1,064,209	16,894,490
Change in net assets					(52,215)	527,890	475,675
Net assets - July 1, 2009					176,480,426	94,866,416	271,346,842
Net assets - June 30, 2010					$ 176,428,211	$ 95,394,306	$ 271,822,517

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Capital Replace-ment Fund	Traffic Mitigation Fund	RDA - Capital Projects	RDA - Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS							
Cash and cash equivalents	$ 7,965,280	$ 7,939,288	$ 814,866	$ 974,606	$ 8,019,632	$ 11,225,931	$ 36,939,603
Restricted cash and cash equivalents	-	246,704	-	16,239	143,895	2,325,361	2,732,199
Investments	1,490,590	2,125,884	695,288	-	-	7,541,628	11,853,390
Accounts receivable	1,231,743	-	-	-	-	1,375,804	2,607,547
Interest receivable	10,884	5,766	128	2,707	6,351	2,929	28,765
Advances to other funds	453,332	-	-	-	-	1,100,000	1,553,332
Due from other funds	401,504	-	-	-	-	-	401,504
Prepaid expenses	19,776	-	-	-	-	-	19,776
Inventory	64,134	-	-	-	-	27,824	91,958
Notes receivable	-	-	-	-	-	3,587,828	3,587,828
Total Assets	$11,637,243	$ 10,317,642	$ 1,510,282	$ 993,552	$ 8,169,878	$ 27,187,305	$ 59,815,902
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$ 1,710,945	$ 28,583	$ 11,676	$ 193,920	$ -	$ 1,144,847	$ 3,089,971
Accrued liabilities	108,276	-	3,116	10,959	-	46,041	168,392
Deferred revenue	-	-	-	-	-	3,587,828	3,587,828
Deposits payable	79,331	-	-	-	-	-	79,331
Advances from other funds	-	-	1,100,000	-	913,000	453,332	2,466,332
Due to other funds	-	-	-	-	-	401,504	401,504
Total Liabilities	1,898,552	28,583	1,114,792	204,879	913,000	5,633,552	9,793,358
FUND BALANCES:							
Reserved for:							
Low and moderate housing	-	-	-	-	-	5,815,765	5,815,765
Debt service	-	-	-	-	7,256,878	3,259,672	10,516,550
Advances to other funds	453,332	-	-	-	-	1,100,000	1,553,332
Inventory	64,134	-	-	-	-	27,824	91,958
Prepaid expenditures	19,776	-	-	-	-	-	19,776
Unreserved:							
General fund	9,201,449	-	-	-	-	-	9,201,449
Special revenue funds	-	10,289,059	-	-	-	2,797,128	13,086,187
Capital projects funds	-	-	395,490	788,673	-	8,553,364	9,737,527
Total Fund Balances	9,738,691	10,289,059	395,490	788,673	7,256,878	21,553,753	50,022,544
Total Liabilities and Fund Balances	$11,637,243	$ 10,317,642	$ 1,510,282	$ 993,552	$ 8,169,878	$ 27,187,305	$ 59,815,902

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, 2010

Total fund balances of governmental funds	$ 50,022,544
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 $50,732,145.	143,334,548
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.	3,587,828
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds.	
Long-term liabilities	(21,295,000)
Compensated absences	(234,323)
Net OPEB obligation	(106,000)
Deferred charges, net of accumulated amortization of $724,339 for debt issuance costs and discounts on long-term liabilities are expensed when incurred, and therefore are not reported in the governmental funds.	1,305,691
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	(187,077)
Net assets of governmental activities	$ 176,428,211

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, 2010

	General Fund	Capital Replacement Fund	Traffic Mitigation Fund	RDA - Capital Projects	RDA - Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
REVENUES							
Property taxes	$ 3,928,131	$ -	$ -	$ -	$2,648,559	$ 663,319	$ 7,240,009
Sales taxes	2,665,805	-	-	-	-	-	2,665,805
Other taxes	4,044,221	-	-	-	-	933,655	4,977,876
License, permits, and fees	501,339	-	-	-	-	4,547	505,886
Fines and forfeitures	34,255	-	-	-	-	-	34,255
Rental income	65,169	-	-	-	-	-	65,169
Program income	-	-	-	-	-	2,264,949	2,264,949
Investment earnings	93,677	130,011	32,159	90,062	65,173	332,977	744,059
Intergovernmental	103,349	-	-	-	-	2,848,122	2,951,471
Charges for services	716,563	-	69,725	-	-	37,717	824,005
Other revenues	88,588	-	2,536	6,624	-	33,372	131,120
Total Revenues	12,241,097	130,011	104,420	96,686	2,713,732	7,118,658	22,404,604
EXPENDITURES							
General administration	1,211,104	-	-	-	-	56,831	1,267,935
Public safety	5,272,361	30,028	-	-	-	16,242	5,318,631
Public works	566,806	-	542	-	-	1,470,695	2,038,043
Community development	2,595,234	-	-	2,319,107	-	2,695	4,917,036
Parks	102	-	-	-	-	176,401	176,503
Streets and roads	-	-	144,422	-	-	1,713,452	1,857,874
Drainage	-	-	-	-	-	591,964	591,964
Housing	-	-	-	3,086	-	345,244	348,330
Capital outlay	219,919	141,435	145,758	367,969	-	3,819,892	4,694,973
Debt service:							
Principal	-	-	-	-	1,315,000	230,000	1,545,000
Interest	-	-	-	-	292,600	638,764	931,364
Total Expenditures	9,865,526	171,463	290,722	2,690,162	1,607,600	9,062,180	23,687,653
Excess (deficiency) of revenues over expenditures	2,375,571	(41,452)	(186,302)	(2,593,476)	1,106,132	(1,943,522)	(1,283,049)
OTHER FINANCING SOURCES (USES)							
Transfers in	598,820	-	-	487,155	-	2,038,404	3,124,379
Transfers out	(1,663,750)	-	-	(387,320)	(857,701)	(242,878)	(3,151,649)
Total Other Financing Sources (Uses)	(1,064,930)	-	-	99,835	(857,701)	1,795,526	(27,270)
Net change in fund balance	1,310,641	(41,452)	(186,302)	(2,493,641)	248,431	(147,996)	(1,310,319)
Fund balances - July 1, 2009	8,428,050	10,330,511	581,792	7,637,093	7,008,447	17,346,970	51,332,863
Prior period restatement (Note 16)	-	-	-	(4,354,779)	-	4,354,779	-
Fund balances - June 30, 2010	$ 9,738,691	$ 10,289,059	$ 395,490	$ 788,673	$7,256,878	$ 21,553,753	$ 50,022,544

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, 2010

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	$	(1,310,319)
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		4,684,708
Depreciation expense		(3,468,290)
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.		885,764
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		1,545,000
Proceeds from long-term notes payable are an other financing source in governmental funds, but an increase in long-term liabilities in the Statement of Net Assets.		
Proceeds from notes payable		(2,250,000)
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.		(6,282)
Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increase the assets in the Statement of Net Assets.		
Amortization of bond issuance costs		(95,557)
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.		
Additions to notes receivable, including accrued interest		1,033,733
Payments and write-offs on notes receivable		(1,022,031)
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.		5,059
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		
Other post employment benefits		(54,000)
Change in net assets of governmental activities	$	(52,215)

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	$ 17,147,801	$ 5,992,129	$ 23,139,930
Investments	1,682,904	6,202,826	7,885,730
Accounts receivable	1,325,251	1,805,659	3,130,910
Interest receivable	18,353	10,544	28,897
Due from other funds	-	1,011,860	1,011,860
Prepaid expenses	9,888	9,888	19,776
Inventory	5,517	57,506	63,023
Total Current Assets	20,189,714	15,090,412	35,280,126
Non-Current Assets			
Advances to other funds	913,000	-	913,000
Restricted cash and cash equivalents	86,734	-	86,734
Deferred issuance costs, net	220,350	64,600	284,950
Capital assets, net of accumulated depreciation	54,498,264	23,445,321	77,943,585
Total Non-Current Assets	55,718,348	23,509,921	79,228,269
Total Assets	$ 75,908,062	$ 38,600,333	$ 114,508,395
LIABILITIES			
Current Liabilities			
Accounts payable	$ 1,384,160	$ 486,710	$ 1,870,870
Accrued liabilities	71,000	54,606	125,606
Accrued interest payable	172,530	51,757	224,287
Deposits payable	44,169	44,169	88,338
Due to other funds	-	1,011,860	1,011,860
Long term liabilities - current portion	801,469	179,692	981,161
Total Current Liabilities	2,473,328	1,828,794	4,302,122
Non-Current Liabilities			
Compensated absences	90,379	77,584	167,963
Loans payable	5,513,058	539,946	6,053,004
Bonds payable	4,533,500	4,057,500	8,591,000
Total Non-Current Liabilities	10,136,937	4,675,030	14,811,967
Total Liabilities	12,610,265	6,503,824	19,114,089
NET ASSETS:			
Invested in capital assets, net of related debt	53,732,430	23,290,321	77,022,751
Unrestricted	9,565,367	8,806,188	18,371,555
Total Net Assets	63,297,797	32,096,509	95,394,306
Total Liabilities and Net Assets	$ 75,908,062	$ 38,600,333	$ 114,508,395

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, 2010

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
OPERATING REVENUES			
Charges for services, net of refunds	$ 7,432,273	$ 4,851,154	$ 12,283,427
Other revenue	307,327	283,707	591,034
Total Operating Revenue	7,739,600	5,134,861	12,874,461
OPERATING EXPENSES			
Salaries and benefits	2,598,156	2,380,330	4,978,486
Materials, supplies, and operational expenses	1,145,552	1,261,329	2,406,881
Repairs and maintenance	368,782	265,574	634,356
Insurance	46,091	46,064	92,155
Contractual services	866,321	287,555	1,153,876
Taxes and licenses	31,463	14,271	45,734
Utilities	600,651	233,982	834,633
Depreciation	1,910,413	1,076,671	2,987,084
Total Operating Expenses	7,567,429	5,565,776	13,133,205
Operating Income (Loss)	172,171	(430,915)	(258,744)
NON-OPERATING REVENUES (EXPENSES)			
Amortization expense	(42,881)	(3,800)	(46,681)
Rental income	202,719	-	202,719
Grant revenue	-	550,638	550,638
Interest income	166,236	252,296	418,532
Interest expense	(412,922)	(208,527)	(621,449)
Property taxes	27,373	-	27,373
Total Non-Operating Revenues (Expenses)	(59,475)	590,607	531,132
Income Before Contributions and Transfers	112,696	159,692	272,388
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	4,650,141	3,401,317	8,051,458
Transfers out	(4,631,533)	(3,392,655)	(8,024,188)
Capital contributions	46,780	181,452	228,232
Total Transfers and Capital Contributions	65,388	190,114	255,502
Change in net assets	178,084	349,806	527,890
Total Net Assets - July 1, 2009	63,119,713	31,746,703	94,866,416
Total Net Assets - June 30, 2010	$ 63,297,797	$ 32,096,509	$ 95,394,306

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 7,751,717	$ 4,052,415	$ 11,804,132
Cash paid to suppliers	(2,385,656)	(1,915,439)	(4,301,095)
Cash paid to employees	(2,569,304)	(2,367,977)	(4,937,281)
Net Cash Provided by (Used for) Operating Activities	2,796,757	(231,001)	2,565,756
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes	27,373	-	27,373
Transfers to other funds	18,608	8,662	27,270
Net Cash Provided by Noncapital Financing Activities	45,981	8,662	54,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant revenue	-	550,638	550,638
Acquisition and construction of capital assets	(2,578,458)	(2,437,808)	(5,016,266)
Proceeds of capital debt	-	550,638	550,638
Principal paid on capital debt	(790,619)	(150,000)	(940,619)
Interest paid on capital debt	(424,022)	(210,028)	(634,050)
Net Cash Used for Capital and Related Financing Activities	(3,793,099)	(1,696,560)	(5,489,659)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(774,424)	(2,880,720)	(3,655,144)
Rental income	202,719	-	202,719
Interest and dividends	184,582	265,059	449,641
Net Cash Used for Investing Activities	(387,123)	(2,615,661)	(3,002,784)
Net Decrease in Cash and Cash Equivalents	(1,337,484)	(4,534,560)	(5,872,044)
Cash and Cash Equivalents - July 1, 2009	18,572,019	10,526,689	29,098,708
Cash and Cash Equivalents - June 30, 2010	$ 17,234,535	$ 5,992,129	$ 23,226,664

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

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

	Water Reclamation	Water	Totals
Operating Income (Loss)	$ 172,171	$ (430,915)	$ (258,744)
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation expense	1,910,413	1,076,671	2,987,084
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	21,616	(1,072,947)	(1,051,331)
Increase in prepaid expenses	(3,564)	(4,316)	(7,880)
Increase in inventory	(948)	(5,085)	(6,033)
Increase in accounts payable	677,716	202,737	880,453
Decrease in deposits payable	(9,499)	(9,499)	(18,998)
Increase in accrued wages	21,165	7,864	29,029
Increase in compensated absences	7,687	4,489	12,176
Net Cash Provided by (Used for) Operating Activities	$ 2,796,757	$ (231,001)	$ 2,565,756
Supplementary information:			
Developer contributions	$ 46,780	$ 181,452	$ 228,232

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 989,798
Restricted cash and cash equivalents	-
Investments	568,777
Accounts receivable	630
Interest receivable	124
Total Assets	$ 1,559,329
LIABILITIES	
Accounts payable	$ 11,355
Deposits payable	564,572
Due to special assessment districts	983,402
Total Liabilities	$ 1,559,329

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.

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.

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.

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.

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

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 remitted 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 two percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

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

E. Cash and Investments

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

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

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

For purposes of the statement of cash flows, the Town has defined cash and cash equivalents to be change and petty cash funds, 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.

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

H. Capital Assets

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

I. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate earned vacation up to 160 hours. Additional accrual requires the Town Manager's approval. Employees may accumulate sick leave without limits. The Town's liability for compensated absences is recorded in the government-wide Statement of Net Assets for governmental funds and the Statement of Net Assets for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2010. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.

2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.

3. Operating transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

Transactions between funds of the Town are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as 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 low and moderate income housing is the portion of fund balance reserved for low and moderate income housing projects within the Redevelopment Agency.

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

Reserved for advances is the portion of fund balance used to indicate that the advances to other funds do not represent available, spendable, resources.

Reserve for inventory and prepaid assets is the portion of fund balance used to indicate that prepaid costs and inventory do not represent available, spendable resources.

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, 2010 were classified in the accompanying financial statements as follows:

	Cash and cash equivalents	Restricted cash and cash equivalents	Investments	Total
Governmental activities	$ 36,939,603	$ 2,732,199	$ 11,853,390	$ 51,525,192
Business-type activities	23,139,930	86,734	7,885,730	31,112,394
Total government-wide cash and investments	60,079,533	2,818,933	19,739,120	82,637,586
Fiduciary activities	989,798	-	568,777	1,558,575
Total cash and investments	$ 61,069,331	$ 2,818,933	$ 20,307,897	$ 84,196,161

Cash and investments were carried at fair value as of June 30, 2010 and consisted of the following:

Cash in investment pools	$ 59,619,199
Cash with fiscal agent	2,357,644
Restricted cash	461,286
Investments	20,307,896
Cash in banks	1,448,605
Petty cash	1,531
Total cash and investments	$ 84,196,161

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, 2010:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Investment pools (LAIF & County)	$ 59,619,199	$ -	$ 59,619,199
Investments:			
Federal Home Loan Bank	-	5,778,374	5,778,374
Federal National Mortgage Association	-	10,403,022	10,403,022
Federal Farm Credit Bank Funding Corporation	-	1,003,440	1,003,440
Corporate Bonds	1,006,370	2,116,690	3,123,060
Held by bond trustee:			
Money market funds	2,357,644	-	2,357,644
	$ 62,983,213	$ 19,301,526	$ 82,284,739

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
Investment pools (LAIF & County)	$ 59,619,199			Not rated
Investments:				
Federal Home Loan Bank	5,778,374	AAA	Aaa	
Federal National Mortgage Association	10,403,022	AAA	Aaa	
Federal Farm Credit Banks Funding Corporation	1,003,440	AAA	Aaa	
Corporate Bonds	3,123,060	AA+		
Held by bond trustee:				
Money market funds	2,357,644			Not rated
	$ 82,284,739			

Concentration of Credit Risk

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

Issuer	Investment Type	Amount
Federal Home Loan Bank	U.S. Agency Securities	$ 5,778,374
Federal National Mortgage Association	U.S. Agency Securities	10,403,022
Federal Farm Credit Banks Funding Corporation	U.S. Agency Securities	1,003,440
General Electric	Corporate Bonds	3,123,060

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, 2010, the carrying amount of the Town's deposits were $950,000 and bank balances were $1,446,812, of which $250,000 was insured.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment in State and County Investment Pool

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

Allocation of Interest Income Among Funds

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

NOTE 3: NOTES AND LOANS RECEIVABLE

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

The balance of notes and loans receivable, net of allowance, have been offset in the fund financial statements by deferred revenue as they were not expected to be repaid during the fiscal year June 30, 2011.

These notes and loans receivable, including interest, comprised the following at June 30, 2010 and are explained in detail below.

	Notes Receivable
Forest Winds Apartments	$ 526,857
Winter Creek Village Apartments	972,773
Vinecrest	963,198
Twin Oaks	175,000
Manzanita Self-help	950,000
Total	$ 3,587,828

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 three percent simple interest for 30 years with all principal and interest payments deferred for the life of the loan. Accrued interest which was included in the loan balance at June 30, 2010 totaled $186,857.

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

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 three percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest which was included in the loan balance at June 30, 2010 totaled $40,573.

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 which was included in the loan balance at June 30, 2010 totaled $275,198.

D. Twin Oaks Notes Receivable

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

E. Manzanita Self-help

In April 2009, the Agency entered into an agreement with Burbank Housing Development Corporation for the development of a 22-unit self-help housing project (Manzanita). The total loan requested was $950,000. The loan is due one year from date of issuance and the loan will be secured by the land. Interest on the loan is 3% simple deferred interest.

As of June 30, 2010, loans receivable and related deferred revenue in the Low and Moderate Income Housing Fund totaled $3,587,828.

NOTE 4: INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

Transfer from	Transfer To	Description of Transfer	Amount
Major Governmental Funds			
General Fund	RDA Capital Projects	Loan to RDA	$ 487,155
General Fund	Debt Service	Scheduled debt service	233,413
General Fund	Water Operations	Scheduled debt service	72,006
General Fund	Lighting & Landscaping Assessment	Cover fund balance deficit	791,170
General Fund	Lighting & Landscaping Assessment	July 3rd celebration	5,000
General Fund	Water Reclamation Operations	Scheduled debt service	72,006
General Fund	Gas Tax	July 3rd celebration	3,000
RDA Capital Projects	General Fund	Community services event	25,099
RDA Capital Projects	Debt Service Fund	Base rental payments	362,221
RDA Debt Service	Lighting & Landscaping Assessment	Tax increment revenue	3,625
RDA Debt Service	Debt Service	Scheduled debt service	366,921
RDA Debt Service	General Fund	Scheduled debt service	487,155
		Total Major Governmental Interfund Transfers	2,908,771
Non-Major Governmental Funds			
Public Facilities	Water Reclamation Operations	Scheduled debt service	43,203
Public Facilities	Debt Service	Scheduled debt service	156,472
Public Facilities	Water Operations	Scheduled debt service	43,203
		Total Non-Major Governmental Interfund Transfers	242,878
		Total Governmental Interfund Transfers	$ 3,151,649
Proprietary Funds			
Water Reclamation Operating	General Fund	Facility cost sharing	$ 38,310
Water Reclamation Operating	Debt Service	Scheduled debt service	58,291
Water Reclamation Operating	Water Reclamation Capital Replacement	Project funding	1,400,000
Water Reclamation Capital Replacement	Water Reclamation Operating	Funding of capital purchases	1,233,503
Water Reclamation Capital	Water Reclamation Operating	Funding for capital purchases	1,901,429
Water Operating	General Fund	Facility cost sharing	48,256
Water Operating	Debt Service	Scheduled debt service	58,291
Water Operating	Water Capital Replacement	Future replacement purchases	800,000
Water Capital Replacement	Water Operating	Funding of capital purchases	1,667,484
Water Capital	Water Operating	Funding of capital purchases	799,286
Water Capital	Water Operating	SDWSRF debt service	19,338
		Total Proprietary Interfund Transfers	$ 8,024,188
		Total Interfund Transfers	$ 11,175,837

NOTE 5: CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2009	Additions	Retirements	Balance at June 30, 2010
Capital assets not being depreciated				
Land	$ 32,310,417	$ -	$ -	$ 32,310,417
Rights of way	402	5	-	407
Construction-in-progress	19,718,848	4,655,691	-	24,374,539
Total capital assets not being depreciated	52,029,667	4,655,696	-	56,685,363
Capital assets being depreciated				
Buildings	7,253,229	-	-	7,253,229
Improvements other than buildings	14,804,225	-	-	14,804,225
Equipment and machinery	1,040,688	29,017	-	1,069,705
Infrastructure	112,495,037	885,759	-	113,380,796
Vehicles	873,375	-	-	873,375
Total capital assets being depreciated	136,466,554	914,776	-	137,381,330
Less accumulated depreciation				
Buildings	(1,929,728)	(144,737)	-	(2,074,465)
Improvements other than buildings	(5,906,958)	(615,662)	-	(6,522,620)
Equipment and machinery	(864,227)	(53,285)	-	(917,512)
Infrastructure	(37,926,471)	(2,580,278)	-	(40,506,749)
Vehicles	(636,471)	(74,328)	-	(710,799)
Total accumulated depreciation	(47,263,855)	(3,468,290)	-	(50,732,145)
Total capital assets, net	$ 141,232,366	$ 2,102,182	$ -	$ 143,334,548

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

Governmental Activities:

General administration	$ 194,492
Public safety	30,525
Public works	577,308
Community development and recreation	118,870
Parks	510,239
Streets and roads	2,036,856
Total governmental activities depreciation expense	$ 3,468,290

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	Balance at July 1, 2009	Additions	Retirements	Balance at June 30, 2010
Water Fund:				
Capital assets not being depreciated				
Land	$ 628,586	$ -	$ -	$ 628,586
Construction-in-progress	224,881	2,373,163	-	2,598,044
Total capital assets not being depreciated	853,467	2,373,163	-	3,226,630
Capital assets being depreciated				
Infrastructure (utility systems)	33,497,590	223,952	-	33,721,542
Equipment and machinery	882,256	22,145	-	904,401
Vehicles	734,639	-	-	734,639
Total capital assets being depreciated	35,114,485	246,097	-	35,360,582
Less accumulated depreciation				
Infrastructure (utility systems)	(12,811,194)	(987,048)	-	(13,798,242)
Equipment and machinery	(760,779)	(27,973)	-	(788,752)
Vehicles	(493,247)	(61,650)	-	(554,897)
Total accumulated depreciation	(14,065,220)	(1,076,671)	-	(15,141,891)
Total capital assets, net	$ 21,902,732	$ 1,542,589	$ -	$ 23,445,321

	Balance at July 1, 2009	Additions	Retirements	Balance at June 30, 2010
Water Reclamation Fund:				
Capital assets not being depreciated				
Land	$ 6,265,121	$ -	$ -	$ 6,265,121
Construction-in-progress	4,595,997	2,520,542	-	7,116,539
Total capital assets not being depreciated	10,861,118	2,520,542	-	13,381,660
Capital assets being depreciated				
Infrastructure (utility systems)	64,375,926	104,696	-	64,480,622
Equipment and machinery	3,029,943	-	-	3,029,943
Vehicles	859,772	-	-	859,772
Total capital assets being depreciated	68,265,641	104,696	-	68,370,337
Less accumulated depreciation				
Infrastructure (utility systems)	(21,840,567)	(1,767,194)	-	(23,607,761)
Equipment and machinery	(2,830,540)	(89,830)	-	(2,920,370)
Vehicles	(672,213)	(53,389)	-	(725,602)
Total accumulated depreciation	(25,343,320)	(1,910,413)	-	(27,253,733)
Total capital assets, net	$ 53,783,439	$ 714,825	$ -	$ 54,498,264

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

Water Fund	$ 1,076,671
Water Reclamation Fund	1,910,413
Total business-type activities depreciation expense	$ 2,987,084

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term liabilities for the fiscal year ended June 30, 2010:

	Balance at July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Governmental activities:					
Compensated absences	$ 228,041	$ 45,407	$ (39,125)	$ 234,323	$ 39,000
Tax allocation bonds	6,775,000	-	(1,315,000)	5,460,000	360,000
Revenue bonds	13,815,000	-	(230,000)	13,585,000	855,000
CAL HFA Loans Payable	-	2,250,000	-	2,250,000	-
Total Governmental Activities	$ 20,818,041	$ 2,295,407	$ (1,584,125)	$ 21,529,323	$ 1,254,000

	Balance at July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Business-type activities:					
Water Fund:					
Compensated absences	$ 87,096	$ 18,164	$ (13,676)	$ 91,584	$ 14,000
Revenue bonds	4,362,500	-	(150,000)	4,212,500	155,000
SDWSRF loan payable	-	550,638	-	550,638	10,692
	4,449,596	568,802	(163,676)	4,854,722	179,692
Water Reclamation Fund:					
State Revolving Fund	6,342,146	-	(408,619)	5,933,527	420,469
Compensated absences	96,691	22,161	(14,473)	104,379	14,000
Revenue bonds	5,187,500	-	(350,000)	4,837,500	355,000
General obligation bonds	95,000	-	(32,000)	63,000	12,000
	11,721,337	22,161	(805,092)	10,938,406	801,469
Total Business-type activities	$ 16,170,933	$ 590,963	$ (968,768)	$ 15,793,128	$ 981,161

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2010 follows:

A. Governmental Activities

Tax Allocation Bonds - Series 1998

On December 3, 1998 the Agency issued $4,480,000 of Tax Allocation bonds (Series 1998) to (1) finance acquisition and construction of a downtown park project in the Town of Windsor, (2) establish a reserve fund for the bonds, (3) capitalize a portion of the interest on the bonds, and (4) pay the cost of issuing the bonds. The bonds were issued at a discount of $34,213 and issuance costs were $195,180. Interest on the 1998 bonds is payable on September 1 and March 1 of each year through September 1, 2024, beginning on September 1, 2000. Interest rates on the bonds vary between 3.50 and 4.875 percent. The bonds are secured by a first pledge of and a lien on all of the pledged tax revenues. The outstanding principal balance of the 1998 bonds at June 30, 2010 was $1,435,000.

Tax Allocation Bonds - Series 2004

On October 7, 2004, the Agency issued $5,020,000 of Tax Allocation Bonds (Series 2004) to (1) finance acquisition and construction of certain activities in the project area, (2) refund the Agency's 1994 Tax Allocation Bonds in the amount of $3,925,000, and (3) pay the cost of issuing the bonds. The bonds were issued at a discount of $41,534, and issuance costs were $159,518. Principal is payable on September 1 each year through 2024, beginning in 2005. Interest is payable on September 1 and March 1 of each year through September 2024. Interest rates on the bonds vary between 2.00 and 4.60 percent. The bonds are secured by a first pledge of and a lien on all the pledged tax revenues. The outstanding principal balance of the 2004 bonds at June 30, 2010 was $4,025,000.

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, 2010 was $5,185,000.

On August 14, 2008, the Agency issued $8,400,000 of Lease Revenue Bonds (Series 2008) to (1) finance a new fire station and related facilities, (2) fund the Reserve fund requirement, (3) fund a deposit to the Interest fund representing capitalized interest on the bonds through April 1, 2010, and (4) to pay the costs of issuance relating to the bonds. The bonds were issued pursuant to a trust agreement by and between the Windsor Joint Powers Authority. The bonds were issued at a discount of $6,730, and issuance costs were $152,650. Principal is payable on October 1 each year through 2020, beginning in 2008. Interest is payable on October 1 and April 1 of each year through April 2020. The bonds are secured by a pledge of revenues which consist of base rental payments paid by or for the benefit of the Town and received by the Authority pursuant to a Facility Lease. The outstanding principal balance of the 2008 bonds at June 30, 2010 was $8,400,000.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of $1,305,691 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, 2010 was $95,557.

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Governmental Activities Long-Term Liabilities Bond Amortization:

1998 Tax Allocation Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 150,000	$ 87,037	$ 237,037
2012	160,000	56,758	216,758
2013	165,000	49,525	214,525
2014	175,000	41,787	216,787
2015	125,000	34,762	159,762
2016 - 2020	565,000	81,165	646,165
2021 - 2025	95,000	12,068	107,068
Total	$ 1,435,000	$ 363,102	$ 1,798,102

2004 Tax Allocation Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 210,000	$ 155,865	$ 365,865
2012	215,000	149,753	364,753
2013	220,000	143,063	363,063
2014	230,000	135,745	365,745
2015	235,000	127,839	362,839
2016 - 2020	1,305,000	499,304	1,804,304
2021 - 2025	1,610,000	187,649	1,797,649
Total	$ 4,025,000	$ 1,399,218	$ 5,424,218

2001 A Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 235,000	$ 261,652	$ 496,652
2012	250,000	249,763	499,763
2013	260,000	236,056	496,056
2014	275,000	221,678	496,678
2015	290,000	206,494	496,494
2016 - 2020	1,695,000	775,844	2,470,844
2021 - 2025	2,180,000	283,000	2,463,000
Total	$ 5,185,000	$ 2,234,487	$ 7,419,487

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

2008 Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 620,000	$ 349,822	$ 969,822
2012	645,000	324,522	969,522
2013	670,000	298,222	968,222
2014	695,000	270,922	965,922
2015	725,000	242,522	967,522
2016 - 2020	4,110,000	721,139	4,831,139
2021 - 2025	935,000	-	935,000
Total	$ 8,400,000	$ 2,207,149	$ 10,607,149

TOTAL GOVERNMENTAL ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2011	$ 1,215,000	$ 854,376	$ 2,069,376
2012	1,270,000	780,796	2,050,796
2013	1,315,000	726,866	2,041,866
2014	1,375,000	670,132	2,045,132
2015	1,375,000	611,617	1,986,617
2016 - 2020	7,675,000	2,077,452	9,752,452
2021 - 2025	4,820,000	482,717	5,302,717
Total	$ 19,045,000	$ 6,203,956	$ 25,248,956

CAL HFA Loans Payable

In January 2007, the Agency entered into a loan agreement with the California Housing Finance Agency (Cal HFA) for $1,300,000. Interest payable on the loan is 3.5% simple per annum and only charged on the loan amount disbursed. As of June 30, 2010, the outstanding amount of the loan payable was $1,300,000. Payment is deferred for the term of the loan which expires February 2017.

In October 2008, the Agency entered into a residential development agreement with the California Housing Finance Agency (Cal HFA) for a total loan commitment of $4,600,000. Interest payable on the loan is 3% simple per annum and only charged on the amount disbursed. As of June 30, 2010, the outstanding amount of the loan payable was $950,000. Payment is deferred for the term of the loan which expires on July 23, 2014.

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, 2010 was $63,000.

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

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, 2010 was $8,425,000.

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, 2010, was $625,000.

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, 2010, the outstanding principal balance of the loan was $5,933,527.

Safe Drinking Water State Revolving Fund (SDWSRF) Loan Payable

In July 2009, the Town was awarded funding under the Safe Drinking Water State Revolving Fund (SDWSRF) and the American Recovery and Reinvestment Act. The purpose of the funding is to assist in financing construction of a project which will enable the Town to meet safe drinking water standards. The total amount of the loan was $1,101,276. Pursuant to the funding agreement, the State agreed to provide additional subsidization in the form of forgiveness of principal of 50%. The outstanding balance as of June 30, 2010 was $550,638. The term of the loan is 20 years and the loan accrues interest at 2.5017%. Payments are due each March 1 and September 1.

Deferred Charges

Capitalized bond costs related to the Business-type long term liabilities have been recorded as deferred issuance costs in the amount of $284,950 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, 2010 was $46,681.

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

Business-type Long-Term Liabilities Bond Amortization

General Obligation Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 12,000	$ 3,150	$ 15,150
2012	6,000	2,550	8,550
2013	7,000	2,250	9,250
2014	7,000	1,900	8,900
2015	7,000	1,550	8,550
2016 - 2020	24,000	2,550	26,550
Total	$ 63,000	$ 13,950	$ 76,950

2002 B Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 310,000	$ 414,054	$ 724,054
2012	325,000	401,654	726,654
2013	335,000	388,654	723,654
2014	350,000	374,835	724,835
2015	365,000	359,960	724,960
2016 - 2020	2,095,000	1,529,460	3,624,460
2021 - 2025	2,680,000	943,790	3,623,790
2026 - 2030	1,965,000	210,001	2,175,001
Total	$ 8,425,000	$ 4,622,408	$ 13,047,408

2004 C Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2011	$ 200,000	$ 18,936	$ 218,936
2012	210,000	11,248	221,248
2013	215,000	3,655	218,655
Total	$ 625,000	$ 33,839	$ 658,839

NOTE 6: LONG-TERM LIABILITES (CONTINUED)

State Revolving Fund Loan

For the Year Ending June 30	Principal	Interest	Total
2011	$ 420,469	$ 172,072	$ 592,541
2012	432,663	159,879	592,542
2013	445,210	147,331	592,541
2014	458,121	134,420	592,541
2015	471,407	121,135	592,542
2016 - 2020	2,570,200	392,510	2,962,710
2021 - 2025	1,135,455	49,627	1,185,082
Total	$ 5,933,525	$ 1,176,974	$ 7,110,499

SDWSRF Loan Payable

For the Year Ending June 30	Principal	Interest	Total
2011	$ 10,692	$ 6,888	$ 17,580
2012	21,787	13,372	35,159
2013	22,336	12,824	35,160
2014	22,898	12,262	35,160
2015	23,475	11,685	35,160
2016 - 2020	126,540	49,259	175,799
2021 - 2025	143,290	32,509	175,799
2026 - 2030	162,257	32,509	194,766
2031 - 2034	17,363	434	17,797
Total	$ 550,638	$ 171,742	$ 722,380

TOTAL BUSINESS TYPE ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2011	$ 953,161	$ 615,100	$ 1,568,261
2012	995,450	588,703	1,584,153
2013	1,024,546	554,714	1,579,260
2014	838,019	523,417	1,361,436
2015	866,882	494,330	1,361,212
2016 - 2020	4,815,740	1,973,779	6,789,519
2021 - 2025	3,958,745	1,025,926	4,984,671
2026 - 2030	2,127,257	242,510	2,369,767
2031 - 2034	17,363	434	17,797
Total	$ 15,597,163	$ 6,018,913	$ 21,616,076

NOTE 7: SPECIAL ASSESSMENT DISTRICTS

On September 29, 2004, the Town of Windsor issued $5,210,000 of Limited Obligation Improvement Bonds for the Mitchell/Shiloh/Conde Assessment District. These bonds have been issued pursuant to the provisions of the Improvement Bond Acts of 1915. The bonds are issued and secured by the unpaid special assessments levied on parcels within the District. The proceeds are to be used to finance a portion of the cost and expense of roadway improvements and related appurtenant work. Neither the full faith and credit nor the taxing power of the Town is pledged to the payment of the bonds. Consequently, the Town has no liability to advance funds to pay bond principals and interest. As of June 30, 2010, the outstanding principal amount of the bonds was $4,465,000. The bonds mature in September 2034.

NOTE 8: OPERATING LEASES

The Town has commitments to lease certain office equipment. The total rent expense as of June 30, 2010 was $39,691. Future minimum rental commitments for equipment operating leases as of June 30, 2010 are as follows:

Year Ending June 30,		
2011	$	19,404
2012		18,756
2013		18,756
Total	$	56,916

NOTE 9: TOWN EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

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

Funding Policy

Participants are required to contribute 7.0 percent of their annual covered salary which is paid for by the Town. The Town is required to contribute an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2010 was 11.378 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, 2010, the Town's annual pension cost (employer contribution) of $735,332 for miscellaneous employees was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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.

NOTE 7: PENSION PLAN (CONTINUED)

Three Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 633,713	100%	-
2009	$ 699,548	100%	-
2010	$ 735,332	100%	-

The funded status of the plan as of June 30, 2008, the most recent actuarial valuation date, was as follows:

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

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/08	$ 2,780,280,768	$ 2,547,323,278	$ 232,957,490	91.6%	$ 688,606,681	33.8%

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

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Description of the Plan

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

For the year ended June 30, 2010, the Town had eight retired employees. The Town currently has 98 active employees who may become eligible to retire and receive benefits in the future. Eligibility requirements include service retirement (50 & 5 years CalPERS service) or disability retirement directly from the Town under CalPERS, and ten years of Town service.

Funding Policy

Other than the two Water District board members mentioned above, the Town does not provide funding for retirees; retirees are provided the option to obtain Blue Cross or Kaiser health insurance through the Town's current policy at their own expense. This is referred to as an "implicit subsidy." With an implicit subsidy, participating retirees pay lower rates than actual costs. The difference is made up from active employee premiums. There is no implied subsidy after age 65 as all retirees are assumed eligible for Medicare. As of June 30, 2010, the Town is currently funding the benefits on a pay-as-you-go basis.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2010, the Town's annual cost for the healthcare plan was $69,000. The Town's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2010 were as follows:

Annual required contribution	
Service cost	$ 52,000
30-year amortization of unfunded liability	19,000
Interest	2,000
Amortization of net OPEB obligation	(4,000)
Total annual required contribution	69,000
Employer contributions	(15,000)
Net pension obligation at July 1, 2009	$ 52,000
Net pension obligation at June 30, 2010	$ 106,000

Year Ended	Annual OPEB cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB
6/30/2009	$ 65,000	$ 13,000	20 %	$ 52,000
6/30/2010	$ 69,000	$ 15,000	22 %	$ 106,000

Fiscal year 2009 was the year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The Town has elected to implement the statement prospectively. In future years, three-year trend information will be presented.

Funded Status and Funding Progress

The funded status of the plan based on an actuarial study using age-adjusted premiums as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	
Active employees	$ 332,000
Retired employees	114,000
	446,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 446,000
Funded Ratio (actuarial value of plan assets / AAL)	0 %
Covered payroll (active plan members)	$ 6,817,000
UAAL as a percentage of covered payroll	7 %

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

Actuarial Methods and Assumptions

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

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

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, 2010 was as follows:

Total Assets	$	19,028,937
Total Liabilities	$	13,679,292
Net Assets	$	5,349,645
Total Revenues	$	8,422,520
Total Expenses	$	7,925,517
Change in Net Assets	$	497,003

NOTE 11: RISK MANAGEMENT (CONTINUED)

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, 2010, 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, 2010, the principal balance of the bonds were $4,015,000.

NOTE 13: DEFICIT FUND BALANCES

As of June 30, 2010, the Community Development Block Grant Fund had a deficit balance of $60,452. This deficit will be financed through future revenues of the fund.

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: PROPOSITION 1A - BORROWING FROM THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Town was $538,436.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The Town participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 16: PRIOR PERIOD RESTATEMENT

In the prior year, the issuance of $8,400,000 lease revenue bonds were incorrectly recorded as an obligation of the RDA Capital Projects Fund. In addition, the related proceeds and construction expenditures were also recorded in that fund. In accordance with the bond official statement, the lease revenue bonds are an obligation of the Town's Financing Authority, which is included as one of the Town's governmental funds. Per the agreement, the Authority issued the bonds to finance the project and is leasing the facilities to the Town pursuant to which the Town is obligated to make base rental payments to the Authority. In accordance with a memorandum of understanding, the RDA is to reimburse the Town for the full amount of the base rental payments. As the debt is not an obligation of the RDA, and the Town is responsible for the design and construction of the project, prior period adjustments were recorded to correctly reflect the transactions between the RDA Capital Projects Fund and the Debt Service Fund.

Fund	(Decrease) increase to Fund Balance
RDA Capital Projects Fund	$ (4,354,779)
Debt Service Fund	4,354,779

NOTE 17: SUBSEQUENT EVENTS

Government Accounting Standards Board Statement No. 54

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Application of this statement is effective for the Agency's fiscal year ending June 30, 2011.

NOTE 17: SUBSEQUENT EVENTS (CONTINUED)

Redevelopment Agencies: Supplemental Educational Revenue Augmentation Fund

In July 2009, the California Legislature passed ABX4-26 as part of the State's budget package which requires redevelopment agencies to remit approximately $2.05 billion in redevelopment revenues back to the State. Under ABX4-26, each redevelopment agency must contribute a proportionate share of revenue to the newly created Supplemental Educational Revenue Augmentation Fund (SERAF). The bill authorizes redevelopment agencies, from July 1, 2009, to June 30, 2010, to suspend all or part of its required 20% allocation to its Low and Moderate Income Housing Fund in order to make the required payments. The Housing Fund must be repaid by June 30, 2015. If the agency fails to repay the Housing Fund, the required allocation of tax increment to the Housing Fund is increased to 25% for most agencies as long as the project area continues to receive tax increment. This will result in the delay or elimination of many affordable housing projects where redevelopment funding is a key funding component. Payments were to be made in two parts, one in FY 2010 and the other in FY 2011. In October 2009, the California Redevelopment Association and two of its members filed a lawsuit to challenge the constitutionality of the bill. In May 2010, the ruling was upheld and the California Redevelopment Association submitted for another appeal in August 2010. The appeal seeks repayment of the funds paid out in FY 2010 and a prohibition of the funds to be paid in FY 2011. A ruling is expected before May 2011, the date the redevelopment agencies must make their FY 2011 payment to the State. The amount paid to the State from the Agency totaled $1,397,155 in FY 2010 and the amount to be paid in FY 2011 totals $287,650.

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, 2010

	2009-2010 Budgeted Amounts			
	Original	Final	2010 Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 3,303,900	$ 3,303,900	$ 3,928,131	$ 624,231
Sales taxes	3,066,800	3,066,800	2,665,805	(400,995)
Other taxes	3,597,800	3,597,800	4,044,221	446,421
Licenses, permits and fees	440,800	440,800	501,339	60,539
Fines and forfeitures	53,000	49,000	34,255	(14,745)
Rental income	65,900	68,900	65,169	(3,731)
Use of money and property	90,000	90,000	93,677	3,677
Intergovernmental	110,944	110,944	103,349	(7,595)
Charges for services	623,700	623,700	716,563	92,863
Other revenues	41,500	41,500	88,588	47,088
Total Revenues	11,394,344	11,393,344	12,241,097	847,753
EXPENDITURES				
General administration	1,360,702	1,400,459	1,211,104	189,355
Public safety	5,579,368	5,596,843	5,272,361	324,482
Public works	601,697	698,278	566,806	131,472
Community development	2,852,291	2,890,701	2,595,234	295,467
Parks	-	-	102	(102)
Capital outlay	1,086,974	1,027,488	219,919	807,569
Total Expenditures	11,481,032	11,613,769	9,865,526	1,748,243
Excess of revenues over expenditures	(86,688)	(220,425)	2,375,571	2,595,996
OTHER FINANCING SOURCES (USES)				
Transfers in	598,820	598,820	598,820	-
Transfers out	(1,655,750)	(1,663,750)	(1,663,750)	-
Total other financing sources (uses)	(1,056,930)	(1,064,930)	(1,064,930)	-
Net change in fund balance	(1,143,618)	(1,285,355)	1,310,641	2,595,996
Fund balance - July 1, 2009			8,428,050	
Fund balance - June 30, 2010			$ 9,738,691	

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, 2010

	2009-2010 Budgeted Amounts			
	Original	Final	2010 Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	$ 102,061	$ 102,061	$ 130,011	$ 27,950
Total Revenues	102,061	102,061	130,011	27,950
EXPENDITURES				
Public safety	51,365	51,365	30,028	21,337
Capital outlay	249,000	381,000	141,435	239,565
Total Expenditures	300,365	432,365	171,463	260,902
Net change in fund balance	(198,304)	(330,304)	(41,452)	288,852
Fund balance - July 1, 2009			10,330,511	
Fund balance - June 30, 2010			$ 10,289,059	

TOWN OF WINDSOR
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR CalPERS PENSION PLAN

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

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/06**	$ 2,754,396,608	$ 2,492,226,176	$ 262,170,432	90.5%	$ 699,897,835	37.5%
6/30/07**	$ 2,611,746,790	$ 2,391,434,447	$ 220,312,343	91.6%	$ 665,522,859	33.1%
6/30/08**	$ 2,780,280,768	$ 2,547,323,278	$ 232,957,490	91.6%	$ 688,606,681	33.8%

* 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.

TOWN OF WINDSOR
REQUIRED SUPPLEMENTARY INFORMATION

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

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

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 Code Sections 2105, 2106, 2107, and 2107.5 to fund maintenance and construction of streets and roads not funded through another source.

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

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

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.

Lighting and Landscaping Assessment Fund No. 2
This fund is used to account for assessment fees to operate and maintain lighting and landscaping for the Shiloh Oaks development and a new general park supplemental zone.

1982 Benefits Assessment District Fund
This fund is used to account for costs associated with the operation and maintenance of the storm drain and flood control facilities (Airport Creek) constructed with the Shiloh Oaks development.

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

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

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

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.

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.

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.

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

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.

DEBT SERVICE FUNDS

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

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Asset Forfeiture	Mobile Home Rent Stabilization
ASSETS					
Cash and cash equivalents	$ 691,670	$ -	$ 70,247	$ 3,881	$ -
Restricted cash and cash equivalents	-	-	-	-	-
Investments	155,627	-	23,156	491	7,707
Accounts receivable	220,505	553,421	-	-	-
Interest receivable	508	-	24	2	-
Advances to other funds	-	-	-	-	-
Inventory	21,297	-	-	-	-
Notes receivable	-	-	-	-	-
Total Assets	$ 1,089,607	$ 553,421	$ 93,427	$ 4,374	$ 7,707
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	$ 28,860	$ 131,464	$ -	$ -	$ 355
Accrued expenditures	9,528	-	-	-	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	53,332	-	-
Due to other funds	-	349,076	-	-	2,073
Total Liabilities	38,388	480,540	53,332	-	2,428
FUND BALANCES (DEFICITS):					
Reserved:					
Low and moderate housing	-	-	-	-	-
Debt service	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Inventory	21,297	-	-	-	-
Unreserved:					
Special revenue funds	1,029,922	72,881	40,095	4,374	5,279
Capital project funds	-	-	-	-	-
Total Fund Balances (Deficits)	1,051,219	72,881	40,095	4,374	5,279
Total Liabilities and Fund Balances (Deficits)	$ 1,089,607	$ 553,421	$ 93,427	$ 4,374	$ 7,707

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	Lighting and Landscape Assessment	Lighting and Landscape Assessment #2	1982 Benefits Assessment District	Abandoned Vehicle Abatement
ASSETS				
Cash and cash equivalents	$ 256,129	$ 50,985	$ 40,929	$ 29,246
Restricted cash and cash equivalents	-	-	-	-
Investments	235,594	-	-	-
Accounts receivable	39,430	9	-	11,474
Interest receivable	5	32	27	-
Advances to other funds	-	-	-	-
Inventory	-	-	-	-
Notes receivable	-	-	-	-
Total Assets	$ 531,158	$ 51,026	$ 40,956	$ 40,720
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES:				
Accounts payable	$ 85,253	$ 323	$ 1,529	$ 17
Accrued expenditures	16,851	228	-	-
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	102,104	551	1,529	17
FUND BALANCES (DEFICITS):				
Reserved:				
Low and moderate housing	-	-	-	-
Debt service	-	-	-	-
Advances to other funds	-	-	-	-
Inventory	-	-	-	-
Unreserved:				
Special revenue funds	429,054	50,475	39,427	40,703
Capital project funds	-	-	-	-
Total Fund Balances (Deficits)	429,054	50,475	39,427	40,703
Total Liabilities and Fund Balances (Deficits)	$ 531,158	$ 51,026	$ 40,956	$ 40,720

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	Public Education and Government Grant	Community Development Block Grant	Strong Motion	Public Facilities
ASSETS				
Cash and cash equivalents	$ 100,032	$ -	$ 3,946	$ 558,899
Restricted cash and cash equivalents	-	-	-	-
Investments	12,444	97	2,657	437,639
Accounts receivable	-	-	-	-
Interest receivable	69	-	4	672
Advances to other funds	-	-	-	-
Inventory	-	-	-	6,527
Notes receivable	-	-	-	-
Total Assets	$ 112,545	$ 97	$ 6,607	$ 1,003,737
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES:				
Accounts payable	$ 3,477	$ 10,194	$ 726	$ -
Accrued expenditures	78	-	36	-
Deferred revenue	-	-	-	-
Advances from other funds	-	-	-	-
Due to other funds	-	50,355	-	-
Total Liabilities	3,555	60,549	762	-
FUND BALANCES (DEFICITS):				
Reserved:				
Low and moderate housing	-	-	-	-
Debt service	-	-	-	-
Advances to other funds	-	-	-	-
Inventory	-	-	-	6,527
Unreserved:				
Special revenue funds	108,990	(60,452)	5,845	997,210
Capital project funds	-	-	-	-
Total Fund Balances (Deficits)	108,990	(60,452)	5,845	1,003,737
Total Liabilities and Fund Balances (Deficits)	$ 112,545	$ 97	$ 6,607	$ 1,003,737

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	Tree Removal Mitigation	Pool Creek Maintenance	RDA Low and Moderate Income Housing	Park Development
ASSETS				
Cash and cash equivalents	$ 18,015	$ 6,392	$ 4,083,658	$ 1,676,711
Restricted cash and cash equivalents	-	-	-	111,611
Investments	6,830	2,115	1,785,145	1,401,187
Accounts receivable	-	-	550,964	1
Interest receivable	12	5	-	685
Advances to other funds	-	-	-	-
Inventory	-	-	-	-
Notes receivable	-	-	3,587,828	-
Total Assets	$ 24,857	$ 8,512	$ 10,007,595	$ 3,190,195
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES:				
Accounts payable	$ 2	$ -	$ 192,387	$ 689,520
Accrued expenditures	42	-	11,615	4,244
Deferred revenue	-	-	3,587,828	-
Advances from other funds	-	-	400,000	-
Due to other funds	-	-	-	-
Total Liabilities	44	-	4,191,830	693,764
FUND BALANCES (DEFICITS):				
Reserved:				
Low and moderate housing	-	-	5,815,765	-
Debt service	-	-	-	-
Advances to other funds	-	-	-	-
Inventory	-	-	-	-
Unreserved:				
Special revenue funds	24,813	8,512	-	-
Capital project funds	-	-	-	2,496,431
Total Fund Balances (Deficits)	24,813	8,512	5,815,765	2,496,431
Total Liabilities and Fund Balances (Deficits)	$ 24,857	$ 8,512	$ 10,007,595	$ 3,190,195

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	Drainage Mitigation	Fire Mitigation	Debt Service	**Total Non-major Governmental Funds**
ASSETS				
Cash and cash equivalents	$ 2,187,903	$ 435,918	$ 1,011,370	$ 11,225,931
Restricted cash and cash equivalents	-	-	2,213,750	2,325,361
Investments	3,436,216	-	34,723	7,541,628
Accounts receivable	-	-	-	1,375,804
Interest receivable	884	-	-	2,929
Advances to other funds	1,100,000	-	-	1,100,000
Inventory	-	-	-	27,824
Notes receivable	-	-	-	3,587,828
Total Assets	$ 6,725,003	$ 435,918	$ 3,259,843	$ 27,187,305
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES:				
Accounts payable	$ 740	$ -	$ -	$ 1,144,847
Accrued expenditures	3,248	-	171	46,041
Deferred revenue	-	-	-	3,587,828
Advances from other funds	-	-	-	453,332
Due to other funds	-	-	-	401,504
Total Liabilities	3,988	-	171	5,633,552
FUND BALANCES (DEFICITS):				
Reserved:				
Low and moderate housing	-	-	-	5,815,765
Debt service	-	-	3,259,672	3,259,672
Advances to other funds	1,100,000	-	-	1,100,000
Inventory	-	-	-	27,824
Unreserved:				
Special revenue funds	-	-	-	2,797,128
Capital project funds	5,621,015	435,918	-	8,553,364
Total Fund Balances (Deficits)	6,721,015	435,918	3,259,672	21,553,753
Total Liabilities and Fund Balances (Deficits)	$ 6,725,003	$ 435,918	$ 3,259,843	$ 27,187,305

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Asset Forfeiture	Mobile Home Rent Stabilization
REVENUES					
Property taxes	$ -	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-	-
Licenses, permits, and fees	-	-	-	-	4,547
Program Income	-	-	-	-	-
Investment earnings	9,313	-	637	32	299
Intergovernmental	1,114,111	701,261	958,488	2,598	-
Charges for services	-	-	-	-	-
Other revenue	7,735	-	-	-	-
Total Revenues	1,131,159	701,261	959,125	2,630	4,846
EXPENDITURES					
General administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Parks	-	-	-	-	-
Streets and roads	712,579	35,592	958,488	-	-
Drainage	-	-	-	-	-
Housing	-	-	-	-	7,528
Capital outlay	123,010	592,788	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	835,589	628,380	958,488	-	7,528
Excess (deficiency) of revenues over expenditures	295,570	72,881	637	2,630	(2,682)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,000	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	3,000	-	-	-	-
Net change in fund balance	298,570	72,881	637	2,630	(2,682)
Fund balances (deficits) - July 1, 2009	752,649	-	39,458	1,744	7,961
Prior period restatement (Note 16)	-	-	-	-	-
Fund balances - beginning (restated)	752,649	-	39,458	1,744	7,961
Fund balances (deficits) - June 30, 2010	$ 1,051,219	$ 72,881	$ 40,095	$ 4,374	$ 5,279

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Lighting and Landscape Assessment	Lighting and Landscape Assessment #2	1982 Benefits Assessment District	Abandoned Vehicle Abatement
REVENUES				
Property taxes	$ 1,179	$ -	$ -	$ -
Other taxes	867,490	61,067	5,098	-
Licenses, permits, and fees	-	-	-	-
Program Income	-	-	-	-
Investment earnings	8,226	349	271	-
Intergovernmental	-	-	-	30,616
Charges for services	-	-	-	-
Other revenue	12,166	-	-	-
Total Revenues	889,061	61,416	5,369	30,616
EXPENDITURES				
General administration	-	-	-	-
Public safety	-	-	-	13,194
Public works	1,459,548	10,966	-	-
Community development	-	-	-	-
Parks	-	-	-	-
Streets and roads	-	-	6,793	-
Drainage	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,459,548	10,966	6,793	13,194
Excess (deficiency) of revenues over expenditures	(570,487)	50,450	(1,424)	17,422
OTHER FINANCING SOURCES (USES)				
Transfers in	799,795	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	799,795	-	-	-
Net change in fund balance	229,308	50,450	(1,424)	17,422
Fund balances (deficits) - July 1, 2009	199,746	25	40,851	23,281
Prior period restatement (Note 16)	-	-	-	-
Fund balances - beginning (restated)	199,746	25	40,851	23,281
Fund balances (deficits) - June 30, 2010	$ 429,054	$ 50,475	$ 39,427	$ 40,703

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Public Education and Government Grant	Community Development Block Grant	Strong Motion	Public Facilities
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-
Licenses, permits, and fees	-	-	-	-
Program Income	-	-	-	-
Investment earnings	1,140	-	135	20,428
Intergovernmental	40,961	-	87	-
Charges for services	-	-	-	6,218
Other revenue	-	-	-	-
Total Revenues	42,101	-	222	26,646
EXPENDITURES				
General administration	46,929	66	2,004	3,425
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Parks	-	-	-	-
Streets and roads	-	-	-	-
Drainage	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	46,676	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	46,929	46,742	2,004	3,425
Excess (deficiency) of revenues over expenditures	(4,828)	(46,742)	(1,782)	23,221
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(242,878)
Total other financing sources (uses)	-	-	-	(242,878)
Net change in fund balance	(4,828)	(46,742)	(1,782)	(219,657)
Fund balances (deficits) - July 1, 2009	113,818	(13,710)	7,627	1,223,394
Prior period restatement (Note 16)	-	-	-	-
Fund balances - beginning (restated)	113,818	(13,710)	7,627	1,223,394
Fund balances (deficits) - June 30, 2010	$ 108,990	$ (60,452)	$ 5,845	$ 1,003,737

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Tree Removal Mitigation	Pool Creek Maintenance	RDA Low and Moderate Income Housing	Park Development
REVENUES				
Property taxes	$ -	$ -	$ 662,140	$ -
Other taxes	-	-	-	-
Licenses, permits, and fees	-	-	-	-
Program Income	-	-	2,264,949	-
Investment earnings	374	116	86,644	64,171
Intergovernmental	-	-	-	-
Charges for services	-	-	-	7,808
Other revenue	-	-	9,176	1,505
Total Revenues	374	116	3,022,909	73,484
EXPENDITURES				
General administration	-	-	4,407	-
Public safety	1,363	-	-	1,685
Public works	-	-	-	-
Community development	450	-	2,245	-
Parks	-	-	-	176,401
Streets and roads	-	-	-	-
Drainage	-	-	-	-
Housing	-	-	337,716	-
Capital outlay	-	-	-	1,807,061
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	1,813	-	344,368	1,985,147
Excess (deficiency) of revenues over expenditures	(1,439)	116	2,678,541	(1,911,663)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(1,439)	116	2,678,541	(1,911,663)
Fund balances (deficits) - July 1, 2009	26,252	8,396	3,137,224	4,408,094
Prior period restatement (Note 16)	-	-	-	-
Fund balances - beginning (restated)	26,252	8,396	3,137,224	4,408,094
Fund balances (deficits) - June 30, 2010	$ 24,813	$ 8,512	$ 5,815,765	$ 2,496,431

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Drainage Mitigation	Fire Mitigation	Debt Service	**Total Non-major Governmental Funds**
REVENUES				
Property taxes	$ -	$ -	$ -	$ 663,319
Other taxes	-	-	-	933,655
Licenses, permits, and fees	-	-	-	4,547
Program Income	-	-	-	2,264,949
Investment earnings	139,623	42	1,177	332,977
Intergovernmental	-	-	-	2,848,122
Charges for services	16,840	6,851	-	37,717
Other revenue	2,790	-	-	33,372
Total Revenues	159,253	6,893	1,177	7,118,658
EXPENDITURES				
General administration	-	-	-	56,831
Public safety	-	-	-	16,242
Public works	181	-	-	1,470,695
Community development	-	-	-	2,695
Parks	-	-	-	176,401
Streets and roads	-	-	-	1,713,452
Drainage	591,964	-	-	591,964
Housing	-	-	-	345,244
Capital outlay	24,163	-	1,226,194	3,819,892
Debt service:				
Principal	-	-	230,000	230,000
Interest	-	-	638,764	638,764
Total Expenditures	616,308	-	2,094,958	9,062,180
Excess (deficiency) of revenues over expenditures	(457,055)	6,893	(2,093,781)	(1,943,522)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,235,609	2,038,404
Transfers out	-	-	-	(242,878)
Total other financing sources (uses)	-	-	1,235,609	1,795,526
Net change in fund balance	(457,055)	6,893	(858,172)	(147,996)
Fund balances (deficits) - July 1, 2009	7,178,070	429,025	(236,935)	17,346,970
Prior period restatement (Note 16)	-	-	4,354,779	4,354,779
Fund balances - beginning (restated)	7,178,070	429,025	4,117,844	21,701,749
Fund balances (deficits) - June 30, 2010	$ 6,721,015	$ 435,918	$ 3,259,672	$ 21,553,753

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, 2010

	Water Reclamation			
	Operating	Capital Replacement	Capital	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	$ 8,659,046	$ 6,641,008	$ 1,847,747	$ 17,147,801
Investments	-	-	1,682,904	1,682,904
Accounts receivable	1,257,348	-	67,903	1,325,251
Interest receivable	5,441	3,399	9,513	18,353
Prepaid expenses	9,888	-	-	9,888
Inventory	5,517	-	-	5,517
Total Current Assets	9,937,240	6,644,407	3,608,067	20,189,714
Non-Current Assets				
Advances to other funds	913,000	-	-	913,000
Restricted cash and cash equivalents	2	49,383	37,349	86,734
Deferred issuance costs, net	220,350	-	-	220,350
Capital assets, net of accumulated depreciation	54,498,264	-	-	54,498,264
Total Non-Current Assets	55,631,616	49,383	37,349	55,718,348
Total Assets	$ 65,568,856	$ 6,693,790	$ 3,645,416	$ 75,908,062
LIABILITIES				
Current Liabilities				
Accounts payable	$ 554,316	$ 441,019	$ 388,825	$ 1,384,160
Accrued liabilities	68,973	841	1,186	71,000
Accrued interest payable	7,014	-	165,516	172,530
Deposits payable	44,169	-	-	44,169
Long term liabilities - current portion	381,000	-	420,469	801,469
Total Current Liabilities	1,055,472	441,860	975,996	2,473,328
Non-Current Liabilities				
Compensated absences	85,267	-	5,112	90,379
Loans payable	-	-	5,513,058	5,513,058
Bonds payable	398,834	-	4,134,666	4,533,500
Total Non-Current Liabilities	484,101	-	9,652,836	10,136,937
Total Liabilities	1,539,573	441,860	10,628,832	12,610,265
NET ASSETS:				
Invested in capital assets, net of related debt	53,732,430	-	-	53,732,430
Unrestricted	10,296,853	6,251,930	(6,983,416)	9,565,367
Total Net Assets	64,029,283	6,251,930	(6,983,416)	63,297,797
Total Liabilities and Net Assets	$ 65,568,856	$ 6,693,790	$ 3,645,416	$ 75,908,062

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Water			
	Operating	Capital Replacement	Capital	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	$ 3,019,503	$ 2,972,626	$ -	$ 5,992,129
Investments	-	-	6,202,826	6,202,826
Accounts receivable	704,383	550,638	550,638	1,805,659
Interest receivable	2,923	1,449	6,172	10,544
Due from other funds	1,011,860	-	-	1,011,860
Prepaid expenses	9,888	-	-	9,888
Inventory	57,506	-	-	57,506
Total Current Assets	4,806,063	3,524,713	6,759,636	15,090,412
Non-Current Assets				
Deferred issuance costs, net	64,600	-	-	64,600
Capital assets, net of accumulated depreciation	23,445,321	-	-	23,445,321
Total Non-Current Assets	23,509,921	-	-	23,509,921
Total Assets	$ 28,315,984	$ 3,524,713	$ 6,759,636	$ 38,600,333
LIABILITIES				
Current Liabilities				
Accounts payable	$ 221,248	$ 135,596	$ 129,866	$ 486,710
Accrued liabilities	52,474	811	1,321	54,606
Accrued interest payable	956	-	50,801	51,757
Deposits payable	44,169	-	-	44,169
Due to other funds	-	-	1,011,860	1,011,860
Long term liabilities - current portion	14,000	5,346	160,346	179,692
Total Current Liabilities	332,847	141,753	1,354,194	1,828,794
Non-Current Liabilities				
Compensated absences	74,160	-	3,424	77,584
Loans payable	-	269,973	269,973	539,946
Bonds payable	77,834	-	3,979,666	4,057,500
Total Non-Current Liabilities	151,994	269,973	4,253,063	4,675,030
Total Liabilities	484,841	411,726	5,607,257	6,503,824
NET ASSETS:				
Invested in capital assets, net of related debt	23,290,321	-	-	23,290,321
Unrestricted	4,540,822	3,112,987	1,152,379	8,806,188
Total Net Assets	27,831,143	3,112,987	1,152,379	32,096,509
Total Liabilities and Net Assets	$ 28,315,984	$ 3,524,713	$ 6,759,636	$ 38,600,333

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water Reclamation			
	Operating	Capital Replacement	Capital	Totals
OPERATING REVENUES				
Charges for services, net of refunds	$ 7,271,836	$ -	$ 160,437	$ 7,432,273
Other revenue	282,819	-	24,508	307,327
Total Operating Revenue	7,554,655	-	184,945	7,739,600
OPERATING EXPENSES				
Salaries and benefits	2,454,575	36,810	106,771	2,598,156
Materials, supplies, and operational expenses	1,145,552	-	-	1,145,552
Repairs and maintenance	368,782	-	-	368,782
Insurance	46,091	-	-	46,091
Contractual services	866,321	-	-	866,321
Taxes and licenses	31,463	-	-	31,463
Utilities	600,651	-	-	600,651
Depreciation	1,910,413	-	-	1,910,413
Total Operating Expenses	7,423,848	36,810	106,771	7,567,429
Operating Income (Loss)	130,807	(36,810)	78,174	172,171
NON-OPERATING REVENUES (EXPENSES)				
Amortization expense	(42,881)	-	-	(42,881)
Rental income	177,295	-	25,424	202,719
Interest income	49,897	37,059	79,280	166,236
Interest expense	(412,922)	-	-	(412,922)
Property taxes	27,373	-	-	27,373
Total Non-Operating Revenues (Expenses)	(201,238)	37,059	104,704	(59,475)
Income (Loss) Before Contributions and Transfers	(70,431)	249	182,878	112,696
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	3,250,141	1,400,000	-	4,650,141
Transfers out	(1,496,601)	(1,233,503)	(1,901,429)	(4,631,533)
Capital contributions	46,780	-	-	46,780
Total Transfers and Capital Contributions	1,800,320	166,497	(1,901,429)	65,388
Change in net assets	1,729,889	166,746	(1,718,551)	178,084
Total Net Assets - July 1, 2009	62,299,394	6,085,184	(5,264,865)	63,119,713
Total Net Assets - June 30, 2010	$ 64,029,283	$ 6,251,930	$ (6,983,416)	$ 63,297,797

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water			
	Operating	Capital Replacement	Capital	Totals
OPERATING REVENUES				
Charges for services, net of refunds	$ 4,789,370	$ -	$ 61,784	$ 4,851,154
Other revenue	281,234	-	2,473	283,707
Total Operating Revenue	5,070,604	-	64,257	5,134,861
OPERATING EXPENSES				
Salaries and benefits	2,263,321	37,144	79,865	2,380,330
Materials, supplies, and operational expenses	1,205,808	34,057	21,464	1,261,329
Repairs and maintenance	265,574	-	-	265,574
Insurance	46,064	-	-	46,064
Contractual services	287,555	-	-	287,555
Taxes and licenses	14,271	-	-	14,271
Utilities	233,982	-	-	233,982
Depreciation	1,076,671	-	-	1,076,671
Total Operating Expenses	5,393,246	71,201	101,329	5,565,776
Operating Income (Loss)	(322,642)	(71,201)	(37,072)	(430,915)
NON-OPERATING REVENUES (EXPENSES)				
Amortization expense	(3,800)	-	-	(3,800)
Grant revenue	-	275,319	275,319	550,638
Interest income	29,829	20,499	201,968	252,296
Interest expense	(208,527)	-	-	(208,527)
Total Non-Operating Revenues (Expenses)	(182,498)	295,818	477,287	590,607
Income (Loss) Before Contributions and Transfers	(505,140)	224,617	440,215	159,692
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	2,601,317	800,000	-	3,401,317
Transfers out	(906,547)	(1,667,484)	(818,624)	(3,392,655)
Capital contributions	181,452	-	-	181,452
Total Transfers and Capital Contributions	1,876,222	(867,484)	(818,624)	190,114
Change in net assets	1,371,082	(642,867)	(378,409)	349,806
Total Net Assets - July 1, 2009	26,460,061	3,755,854	1,530,788	31,746,703
Total Net Assets - June 30, 2010	$ 27,831,143	$ 3,112,987	$ 1,152,379	$ 32,096,509

AGENCY FUNDS

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

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

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

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

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

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

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

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

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2010

	Bonita Roble Trust Fund	Brooks Special Assessment Construction Fund	Mitchell Shiloh Conde Assessment District	In-Lieu Agency Fund	Performance Bond Fund	Golf Course Fund	Miscellaneous Fund	Totals
ASSETS								
Cash and cash equivalents	$ 13,950	$ 906	$ 552,336	$ 93,345	$ 241,511	$ (30,759)	$ 118,509	$ 989,798
Investments	4,585	-	406,081	14,472	38,155	34,408	71,076	568,777
Accounts receivable	-	-	-	-	-	-	630	630
Interest receivable	10	-	-	72	9	-	33	124
Total Assets	$ 18,545	$ 906	$ 958,417	$ 107,889	$ 279,675	$ 3,649	$ 190,248	$ 1,559,329
LIABILITIES								
Accounts payable	$ -	$ -	$ 20	$ -	$ 7,000	$ 11	$ 4,324	$ 11,355
Deposits payable	18,545	-	-	91,400	272,675	3,638	178,314	564,572
Due to special assessment districts	-	906	958,397	16,489	-	-	7,610	983,402
Total Liabilities	$ 18,545	$ 906	$ 958,417	$ 107,889	$ 279,675	$ 3,649	$ 190,248	$ 1,559,329

TOWN OF WINDSOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program	Federal CFDA Number	Pass-Through Entity Identifying Number/Grant Number	Expenditures
U.S. Environmental Protection Agency			
Pass-through the State of California, Department of Public Health, Health and Human Services Agency			
ARRA: Capitalization Grants for Drinking Water State Revolving Funds	66.468	4910017-033	$ 1,101,276
U.S. Department of Housing and Urban Development			
Direct Program:			
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251		72,168
Pass-through the County of Sonoma			
ARRA: Community Development Block Grant	14.253	B-09-UY-06-008	37,634
Total U.S. Department of Housing and Urban Development			109,802
U.S. Department of Transportation			
Pass-through the State of California, Department of Transportation			
ARRA: Highway Planning and Construction: Los Amigos Road Pavement Rehabilitation	20.205	ESPL5472(012)	391,556
ARRA: Highway Planning and Construction: Old Redwood Highway	20.205	ESPL-5472(014)	164,622
Total U.S. Department of Transportation			556,178
Total Expenditures of Federal Awards			$ 1,767,256

TOWN OF WINDSOR
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Windsor. The Town of Windsor reporting entity is defined in Note 1 of the Town's Annual Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the Town's basic financial statements. Federal award revenues are reported principally in the Town's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The Town of Windsor has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

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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, 2010, which collectively comprise the Town of Windsor's basic financial statements and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1 and 2010-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 December 6, 2010.

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA • Justin J. Williams, CPA, CVA • Neil J. Beeman, CPA

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

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

Sacramento, California
December 6, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Windsor (the "Town") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Town of Windsor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Town Council, others within the entity, 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.

Mann, Urrutia, Nelson, CPAs
December 6, 2010

TOWN OF WINDSOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of Major Programs: U.S. Environmental Protection Agency, Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468	
U.S. Department of Transportation, Highway Planning and Construction, CFDA 20.205	
Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted *Government Auditing Standards*	No

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in section 510(a)	No

TOWN OF WINDSOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Finding 2010-1: Redevelopment Notes

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

Upon review of notes receivable, we noted that the Town was not recording all of the note activity related to the Burbank housing notes. There were two notes receivable and two notes payable that had not been recorded by the Town.

Cause

It appears that the Planning Department who is in charge of working with Burbank Housing, was not properly communicating with the Finance Department. The Finance Department was not made aware of all of the note activity in order to properly record the transactions.

Recommendation

We recommend that the Planning Department, along with the Finance Department, work together to ensure that all loans are properly recorded. Whenever the Planning Department generates or is aware of note activity, they should promptly notify the Finance Department and provide them with sufficient information to record the transactions.

Management's Response

The Town has already addressed this issue with the Planning Department and has implemented controls to properly handle such transactions.

Finding 2010-2: Reimbursement Requests

Criteria

Certain deficiencies in the internal control system over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Condition

It was noted that reimbursement requests for projects are not filed timely, nor recorded on the general ledger upon the reimbursement request being submitted by the Engineering Department. The untimely filing of the reimbursement requests puts the Town into financial hardships. The situation will likely only get worse as the Town grows and transactions and reporting requirements increase.

Cause

Procedures were not established between departments to ensure that reimbursement requests were properly recorded.

Recommendation

We recommend the Project Managers and the Finance Department improve communications regarding project status and completion. Reimbursement requests should be submitted by the person managing the project within the fiscal year the expenditures are incurred. This information needs to be forwarded to the Finance Department for entry into the general ledger.

Management's Response

Staff acknowledges this deficiency and has incorporated this procedure as part of the overall written operational procedures for the Finance Department. As a result, this procedure is now in effect to the extent that the Project Managers and Director of Administrative Services will review the status of all projects on a regular basis.

TOWN OF WINDSOR
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

There were no findings to report for the year ended June 30, 2009.