Town of Windsor



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2007
WITH
INDEPENDENT AUDITOR'S REPORT
and
SUPPLEMENTARY INFORMATION



TOWN OF WINDSOR
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Honorable 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, 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor as of June 30, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2007 on our consideration of the Town of Windsor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mann, Urrutia, Nelson CPAs

Sacramento, CA
October 19, 2007

PRINCIPALS

Chris A. Mann, CPA , CFP John R. Urrutia, CPA Michelle O. Nelson, CPA, CFE, CVA Christine L. Collins, EA
Kriss Ann Mann, CPA, CCPS Justin J. Williams, CPA

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. 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.

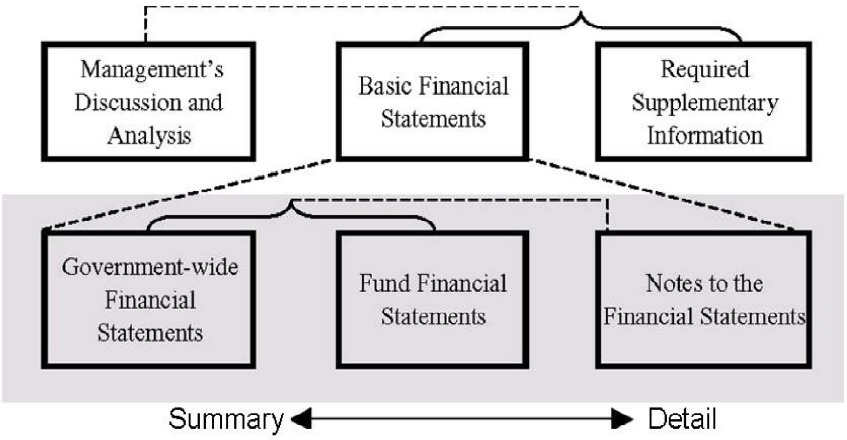
FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $253,680,058 (net assets). Of this amount, $66,514,511 (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 $5,757,048 as a result of the year's operations.
- At the close of this fiscal year, the Town's governmental funds reported total ending fund balances of $47,484,071, an increase of $4,529,307, after expenditures for capital projects. Approximately $37,922,202 or 80% of the ending fund balances are available for spending at the Town's discretion (unreserved fund balance).
- The Town's total long-term liabilities decreased by $1,351,989 (4%) during the fiscal year. The decrease was a result of normal maturity of existing debt.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



Government-wide financial statements - The government-wide financial statements are comprised of the Statement of Net Assets and Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

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

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

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

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

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The Town adopts a biennial 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

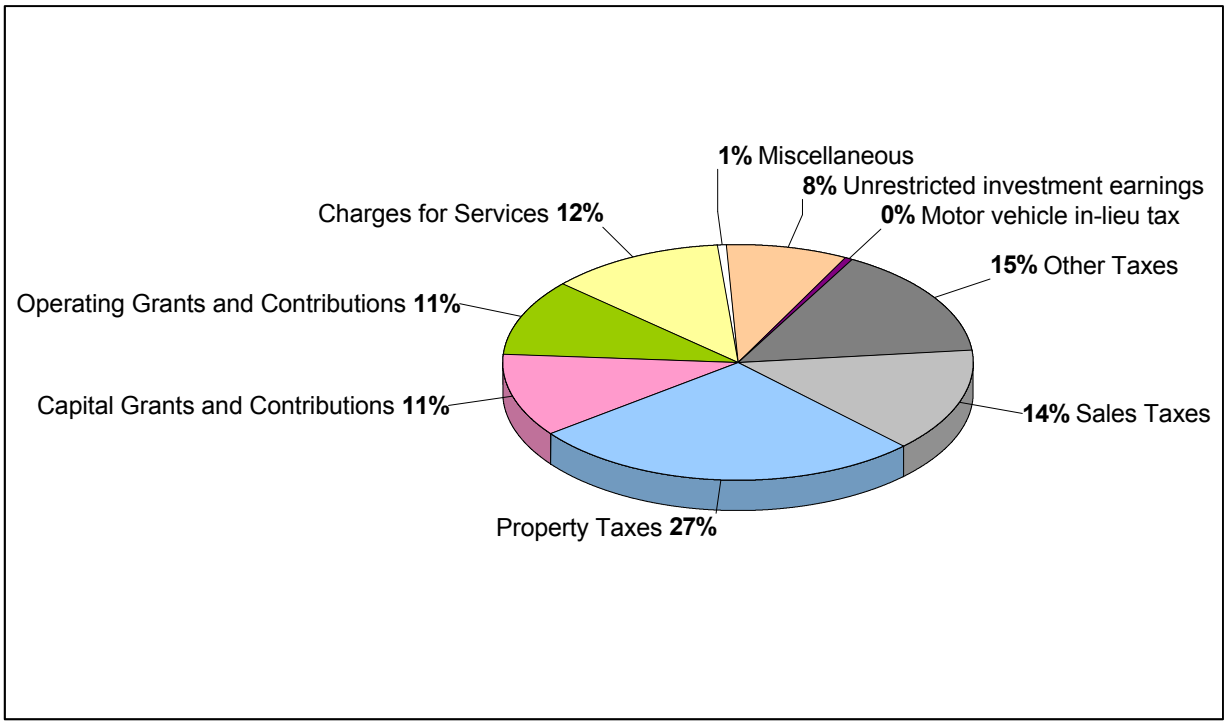
JUNE 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total Government	
ASSETS	2007	2006	2007	2006	2007	2006
Current and other assets	$ 54,312,684	$ 48,655,281	$ 33,893,148	$ 33,004,848	$ 88,205,832	$ 81,660,129
Capital assets	126,431,367	125,800,667	74,839,180	76,489,422	201,270,547	202,290,089
Total assets	180,744,051	174,455,948	108,732,328	109,494,270	289,476,379	283,950,218
LIABILITIES						
Current liabilities	3,228,375	2,111,128	1,821,162	1,816,252	5,049,537	3,927,380
Long-term liabilities	13,728,725	14,241,130	17,018,059	17,858,698	30,746,784	32,099,828
Total liabilities	16,957,100	16,352,258	18,839,221	19,674,950	35,796,321	36,027,208
NET ASSETS						
Invested in capital assets, net of related debt	112,326,367	112,986,452	74,839,180	58,328,478	187,165,547	171,314,930
Restricted	-	29,577,368	-	-	-	29,577,368
Unrestricted	51,460,584	15,539,870	15,053,927	31,490,842	66,514,511	47,030,712
Total net assets	$163,786,951	$158,103,690	$ 89,893,107	$ 89,819,320	$253,680,058	$247,923,010

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

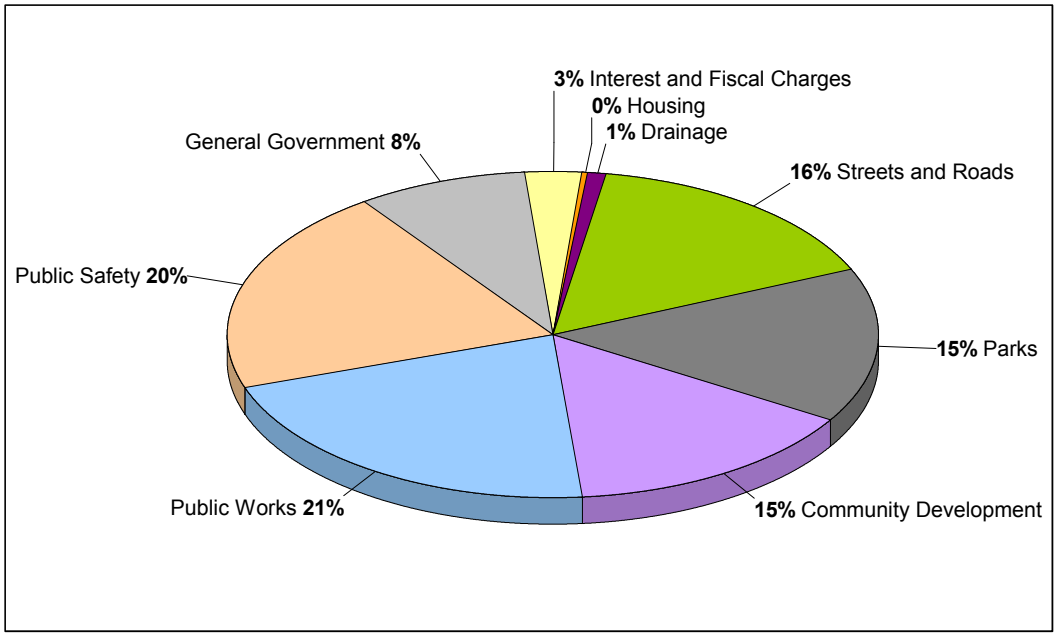
Governmental activities: Significant revenues of the governmental activities are taxes (56%), which include property taxes, sales taxes, and other taxes. Program revenues are 34% of the total revenues of the governmental activities, which include charges for services, operating contributions and grants, and capital contributions and grants.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2007

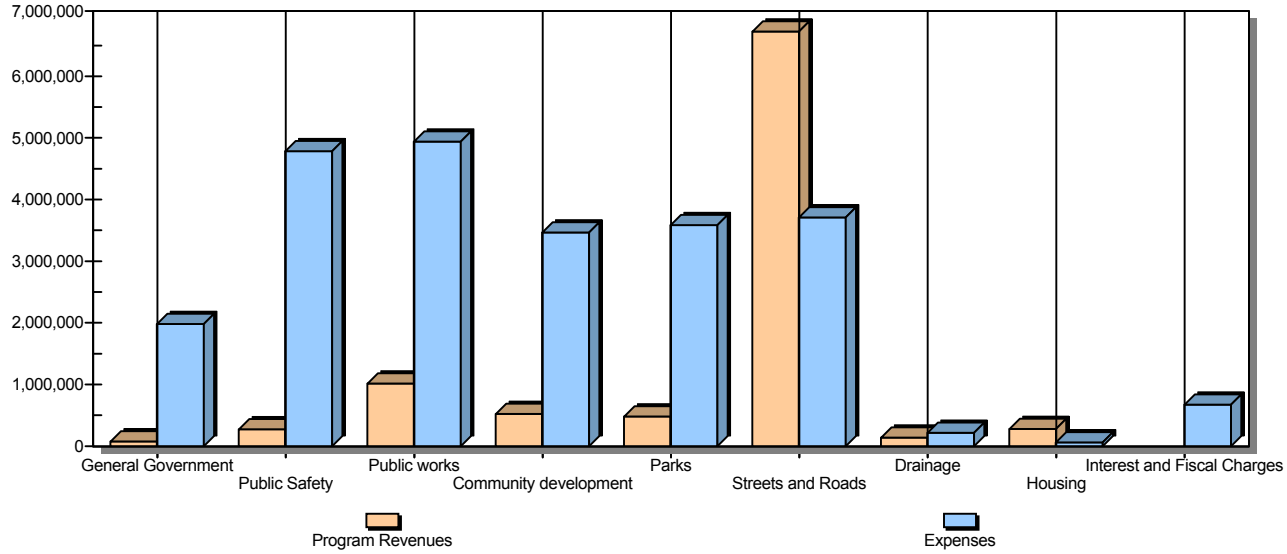


As for expenses, public works are the most significant (21%) of all governmental activities expenses, followed by public safety (20%), streets and roads (16%), community development and recreation (15%), parks (15%), general government (8%), interest on long-term liabilities (3%), and various other programs (2%). Included in these amounts is depreciation expense, which is 14% of the total expenses for governmental activities.

EXPENSES BY FUNCTION/PROGRAM - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2007



COMPARISON OF EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2007
(in dollars)



Business-type activities: In the fiscal year ended June 30, 2007, business-type activities increased the Town's net assets by $73,787. Key elements of this change are as follows:

Charges for services decreased by $900,389 (8%).

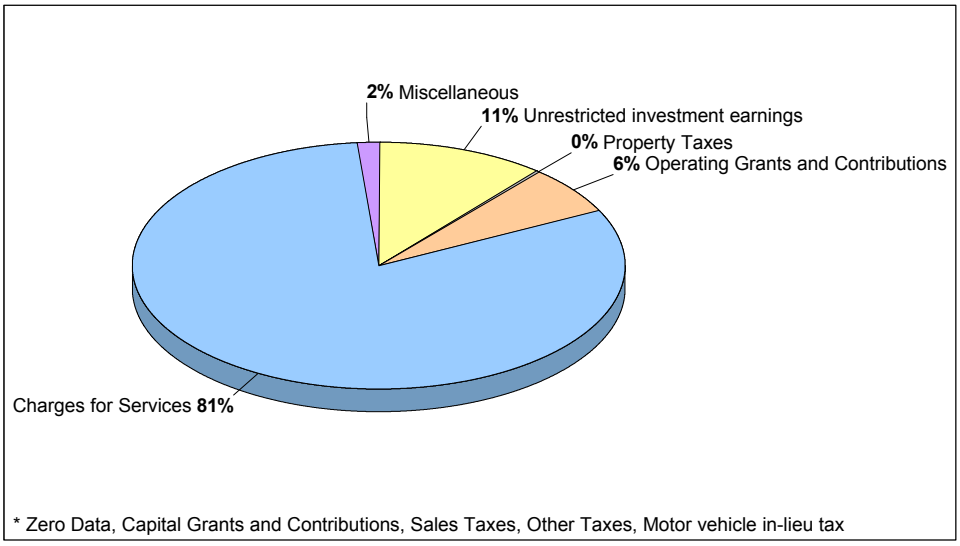
Operating expenses increased by $1,719,880 (17%). Materials, supplies and operational expense accounted for 48% of the increase.

Unrestricted investment earnings increased by $365,363 (36%), primarily due to the increase in the rate of return on investments during the current fiscal year.

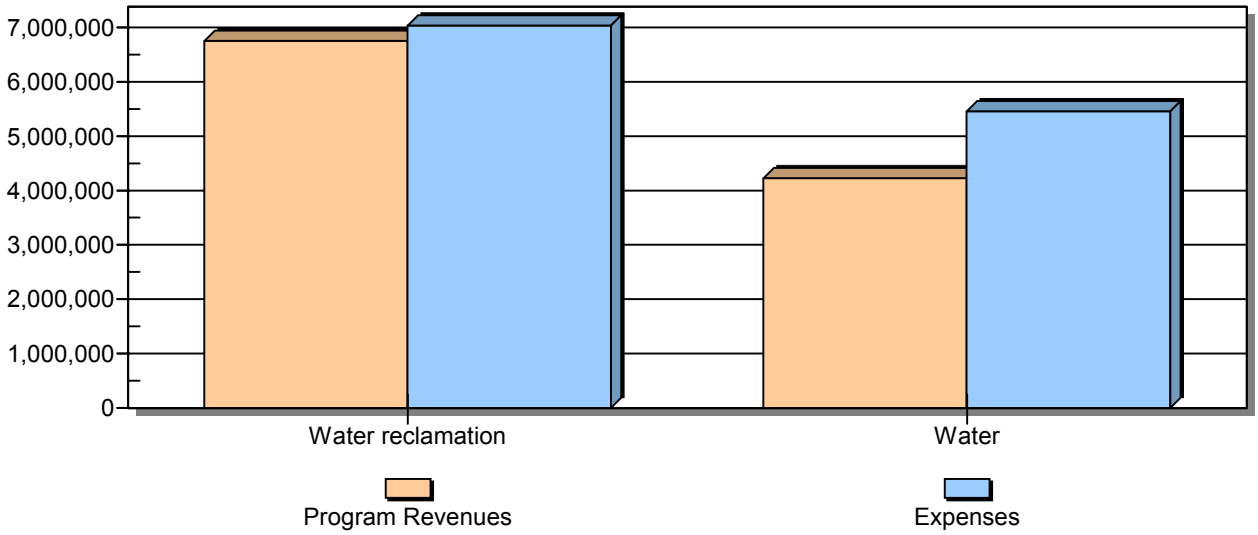
CHANGE IN NET ASSETS - BUSINESS - TYPE ACTIVITIES

REVENUES	2007	2006
Program revenues:		
Charges for services	$ 10,190,074	$ 11,090,463
Capital grants and contributions	794,089	820,818
General revenues:		
Property taxes	29,209	26,950
Unrestricted investment earnings	1,384,985	1,019,622
Miscellaneous	189,219	142,600
Total Revenues	12,587,576	13,100,453
EXPENSES		
Water reclamation	7,036,377	6,743,212
Water utility	5,459,454	4,059,163
Total Expenses	12,495,831	10,802,375
Excess before transfer	91,745	2,298,078
Transfer out	(17,958)	(44,041)
Increase in net assets	$ 73,787	$ 2,254,037

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2007



COMPARISON OF EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2007
(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, 2007, the Town's governmental funds reported total ending fund balance of $47,484,071, an increase of $4,529,307 from the prior fiscal year. Approximately 80% of the total ending fund balances ($37,922,202) 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 ($3,729,774).

General fund revenues were $830,999 (7%) greater than in the prior fiscal year, and expenditures increased by $323,388 (3%). An increase in both sales tax and property tax revenues accounted for a significant portion of the increase in revenues. Licenses, permits, fees offset this increase with a large decrease. Public safety and general government accounted for most of the increase in general fund expenditures.

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

The Water Utility's net assets decreased $560,741 (2%) in the 2006-07 fiscal year. While operating revenue increased by $218,795, operating expenses increased by $1,405,541. An increase in interest income helped to offset the increase in operating expenses by increasing $219,127 in the 2006-07 fiscal year.

The Water Reclamation Utility's net assets increased $634,528 (1%) in the current fiscal year. Total revenue from operations decreased by $1,126,270 (18%), where related expenses increased by $314,339 (5%). The net asset increase was primarily attributable to an increase in interest income of $146,236 and capital contributions of $130,715.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Town's investment in capital assets for its governmental and business-type activities at June 30, 2007, amounted to $201,270,547 (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 $6,117,123.

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Land	$ 32,310,417	$ 31,320,065	$ 6,893,707	$ 6,893,707
Rights of way	360	358	-	-
Construction in progress	9,947,211	9,353,753	1,902,504	2,122,078
Buildings	5,092,123	5,226,844	-	-
Improvements other than buildings	8,114,265	8,559,700	-	-
Equipment and machinery	144,789	217,558	592,668	803,166
Infrastructure	70,462,969	70,670,770	65,074,166	66,383,705
Vehicles	359,233	451,619	376,135	286,766
Total	$ 126,431,367	$ 125,800,667	$ 74,839,180	$ 76,489,422

Additional information on the Town's capital assets can be found in note 7 of the notes to the financial statements.

Long-term liabilities - The Town's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled $32,206,298 at June 30, 2007. Of this total $14,290,691 (44%) was in governmental activities and $17,915,607 (56%) was in business-type activities. The Town's outstanding long-term liabilities decreased by $1,351,989 (4%) in fiscal year 2007.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
General obligation bonds	$ -	$ -	$ 154,000	$ 183,000
Revenue bonds	5,845,000	6,045,000	10,500,000	10,950,000
Tax allocation bonds	8,260,000	8,585,000	-	-
Notes and loans payable	-	-	7,125,162	7,500,198
Compensated absences	185,691	162,529	136,445	132,560
Total	$ 14,290,691	$ 14,792,529	$ 17,915,607	$ 18,765,758

Additional information on the Town's long-term liabilities can be found in note 8 of the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a $3,252,286 increase in appropriations between the original budget and the final amended budget for the fiscal biennium ended June 30, 2007. Significant changes include a $2,200,000 increase in transfers from the General Fund to the Capital Replacement Fund, and a $717,665 increase attributed to additional engineering services in public works projects. Additional budget figures are shown on page 49 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Town budget for the fiscal year 2007-08, the Town Council and management were conservative as to the projected growth of revenues and expenditures. Continuing uncertainty in the economy and the flattening of primary revenues was a primary concern. Property tax and sales tax revenue were estimated to grow approximately 1.5% and 2.8% respectively.

REQUESTS FOR INFORMATION

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

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	$ 32,111,589	$ 22,663,411	$ 54,775,000
Investments (Note 2)	16,683,704	7,628,906	24,312,610
Accounts receivable	949,819	1,728,152	2,677,971
Interest receivable	331,088	214,658	545,746
Notes receivable (Note 3)	2,508,372	-	2,508,372
Internal balances	(913,000)	913,000	-
Development fees receivable (Note 4)	361,131	234,853	595,984
Prepaid expenses	79,509	25,246	104,755
Inventory	61,622	59,929	121,551
Land held for redevelopment (Note 5)	722,472	-	722,472
Deferred charges, net of accumulated amortization (Note 8)	1,416,378	424,993	1,841,371
Capital assets (Note 7)			
Land and construction in progress	42,257,988	8,796,211	51,054,199
Other capital assets, net of depreciation	84,173,379	66,042,969	150,216,348
Total capital assets	126,431,367	74,839,180	201,270,547
Total Assets	$ 180,744,051	$ 108,732,328	$ 289,476,379
LIABILITIES			
Accounts payable	$ 2,309,922	$ 527,923	$ 2,837,845
Accrued liabilities	162,644	53,897	216,541
Accrued interest payable	123,677	261,410	385,087
Deposits payable	70,166	80,384	150,550
Accrued compensated absences (Note 8)			
Due within one year	21,966	17,636	39,602
Due in more than one year	163,725	118,809	282,534
Long-term liabilities (Note 8):			
Due within one year	540,000	879,912	1,419,912
Due in more than one year	13,565,000	16,899,250	30,464,250
Total Liabilities	16,957,100	18,839,221	35,796,321
NET ASSETS			
Invested in capital assets, net of related debt	112,326,367	74,839,180	187,165,547
Unrestricted	51,460,584	15,053,927	66,514,511
Total Net Assets	163,786,951	89,893,107	253,680,058
Total Liabilities and Net Assets	$ 180,744,051	$ 108,732,328	$ 289,476,379

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

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	$ 1,978,406	$ 45,632	$ 27,625	$ -	$ (1,905,149)	$ -	$ (1,905,149)
Public safety	4,785,757	139,966	130,293	-	(4,515,498)	-	(4,515,498)
Public works	4,941,536	987,951	26,296	-	(3,927,289)	-	(3,927,289)
Community development	3,465,895	513,813	6,598	-	(2,945,484)	-	(2,945,484)
Parks	3,584,641	349,316	38,200	93,883	(3,103,242)	-	(3,103,242)
Streets and roads	3,707,744	905,586	2,715,800	3,103,236	3,016,878	-	3,016,878
Drainage	215,179	135,294	-	-	(79,885)	-	(79,885)
Housing	60,502	275,269	-	-	214,767	-	214,767
Interest and fiscal charges	672,070	-	-	-	(672,070)	-	(672,070)
Total governmental activities	23,411,730	3,352,827	2,944,812	3,197,119	(13,916,972)	-	(13,916,972)
Business-type activities:							
Water reclamation	7,036,377	6,170,991	584,033	-	-	(281,353)	(281,353)
Water	5,459,454	4,019,083	210,056	-	-	(1,230,315)	(1,230,315)
Total business-type activities	12,495,831	10,190,074	794,089	-	-	(1,511,668)	(1,511,668)
Total primary government	$ 35,907,561	$ 13,542,901	$ 3,738,901	$ 3,197,119	$ (13,916,972)	$ (1,511,668)	$ (15,428,640)
General revenues:							
Property taxes					$ 7,572,404	$ 29,209	$ 7,601,613
Sales taxes					3,990,191	-	3,990,191
Other taxes					4,274,598	-	4,274,598
Motor vehicle in-lieu tax					138,658	-	138,658
Unrestricted investment earnings					2,331,800	1,384,985	3,716,785
Miscellaneous					180,043	189,219	369,262
Transfer from other governmental districts					1,094,581	-	1,094,581
Transfers					17,958	(17,958)	-
Total general revenues and transfers					19,600,233	1,585,455	21,185,688
Change in net assets					5,683,261	73,787	5,757,048
Net assets - July 1, 2006					161,673,217	89,819,320	251,492,537
Prior period restatement (Note 15)					(3,569,527)	-	(3,569,527)
Net assets - July 1, 2006, restated					158,103,690	89,819,320	247,923,010
Net assets - June 30, 2007					$ 163,786,951	$ 89,893,107	$ 253,680,058

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Drainage Mitigation Fund	Traffic Mitigation Fund	RDA - Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Cash and cash equivalents	$ 6,078,939	$ 4,166,827	$ 2,829,714	$ 4,589,604	$ 14,446,505	$ 32,111,589
Investments	2,076,939	4,190,223	778,007	-	9,638,535	16,683,704
Accounts receivable	868,648	60	3,901	-	77,210	949,819
Interest receivable	55,111	65,950	18,892	39,177	151,958	331,088
Notes receivable	-	-	-	-	2,508,372	2,508,372
Due from other funds	453,332	1,100,000	-	1,243,370	-	2,796,702
Development fees receivable	-	41,854	129,047	-	190,230	361,131
Prepaid expenses	24,394	73	61	1,565	53,416	79,509
Inventory	61,622	-	-	-	-	61,622
Land held for redevelopment	-	-	-	-	722,472	722,472
Total Assets	$ 9,618,985	$ 9,564,987	$ 3,759,622	$ 5,873,716	$ 27,788,698	$ 56,606,008
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 1,842,392	$ 178	$ 120,578	$ -	$ 346,774	$ 2,309,922
Accrued liabilities	83,164	1,592	1,546	-	76,342	162,644
Deferred revenue	-	41,854	129,047	-	2,698,602	2,869,503
Deposits payable	70,166	-	-	-	-	70,166
Due to other funds	-	-	1,100,000	913,000	1,696,702	3,709,702
Total Liabilities	1,995,722	43,624	1,351,171	913,000	4,818,420	9,121,937
FUND BALANCES						
Reserved for:						
Land held for resale	-	-	-	-	722,472	722,472
Low and moderate housing	-	-	-	-	2,171,790	2,171,790
Debt service	-	-	-	3,715,781	13,993	3,729,774
Advances to other funds	453,332	1,100,000	-	1,243,370	-	2,796,702
Inventory	61,622	-	-	-	-	61,622
Prepaid expenditures	24,394	73	61	1,565	53,416	79,509
Unreserved:						
General fund	7,083,915	-	-	-	-	7,083,915
Special revenue funds	-	-	-	-	10,544,185	10,544,185
Capital projects funds	-	8,421,290	2,408,390	-	9,464,422	20,294,102
Total Fund Balances	7,623,263	9,521,363	2,408,451	4,960,716	22,970,278	47,484,071
Total Liabilities and Fund Balances	$ 9,618,985	$ 9,564,987	$ 3,759,622	$ 5,873,716	$ 27,788,698	$ 56,606,008

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, 2007

Total fund balances of governmental funds	$	47,484,071
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 $40,681,584		126,431,367
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.		2,869,503
Long-term liabilities and compensated absences are not due in the current period and, therefore are not reported in the governmental funds.		
Long-term liabilities		(14,105,000)
Compensated absences		(185,691)
Deferred charges, net of accumulated amortization of $82,274 for debt issuance costs and discounts on long-term liabilities are expensed when incurred and, therefore are not reported in the governmental funds.		1,416,378
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds.		(123,677)
Net assets of governmental activities	$	163,786,951

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, 2007

	General Fund	Drainage Mitigation Fund	Traffic Mitigation Fund	RDA - Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 4,125,386	$ -	$ -	$ 2,756,396	$ 690,622	$ 7,572,404
Sales taxes	3,990,191	-	-	-	-	3,990,191
Other taxes	3,128,141	-	323,770	-	822,687	4,274,598
License, permits, and fees	880,456	-	-	-	-	880,456
Fines and forfeitures	49,337	-	-	-	-	49,337
Rental income	83,451	-	-	-	-	83,451
Use of property	-	-	-	-	275,269	275,269
Investment earnings	429,497	512,520	86,385	224,988	1,078,410	2,331,800
Intergovernmental	249,457	-	-	-	2,834,013	3,083,470
Charges for services	513,525	135,294	660,096	-	509,909	1,818,824
Other revenues	134,238	-	3,841	-	41,964	180,043
Total Revenues	13,583,679	647,814	1,074,092	2,981,384	6,252,874	24,539,843
EXPENDITURES						
General administration	1,634,056	-	-	-	87,015	1,721,071
Public safety	4,746,722	-	-	-	-	4,746,722
Public works	759,517	-	-	-	1,631,447	2,390,964
Community development	2,800,436	-	-	-	301,716	3,102,152
Parks	19,358	-	-	-	79,256	98,614
Streets and roads	-	-	221,603	-	1,663,493	1,885,096
Drainage	-	215,179	-	-	-	215,179
Housing	-	-	-	-	60,502	60,502
Capital outlay	577,484	1,508,778	907,716	-	2,724,609	5,718,587
Debt service:						
Principal	-	-	-	325,000	200,000	525,000
Interest and fiscal charges	-	-	-	354,589	304,599	659,188
Total Expenditures	10,537,573	1,723,957	1,129,319	679,589	7,052,637	21,123,075
Excess (deficiency) of revenues over expenditures	3,046,106	(1,076,143)	(55,227)	2,301,795	(799,763)	3,416,768
OTHER FINANCING SOURCES (USES)						
Transfer from other governmental districts	-	-	-	-	1,094,581	1,094,581
Transfers in	405,386	-	800,000	-	1,848,330	3,053,716
Transfers out	(1,634,756)	(800,000)	-	(244,331)	(356,671)	(3,035,758)
Total other financing sources (uses)	(1,229,370)	(800,000)	800,000	(244,331)	2,586,240	1,112,539
Net change in fund balance	1,816,736	(1,876,143)	744,773	2,057,464	1,786,477	4,529,307
Fund balances - July 1, 2006	5,806,527	11,397,506	1,663,678	2,903,252	21,183,801	42,954,764
Fund balances - June 30, 2007	$ 7,623,263	$ 9,521,363	$ 2,408,451	$ 4,960,716	$ 22,970,278	$ 47,484,071

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, 2007

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	$	4,529,307
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		606,733
Depreciation expense		(3,173,152)
Governmental funds do not report donated capital assets. However, in the statement of activities, the cost of those capital assets are capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of the donated capital assets.		3,197,119
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		525,000
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.		(49,561)
Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the Statement of Net Assets		
Amortization of bond issuance costs		(82,246)
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		(184,793)
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.		69,364
Revenue not recognized in the governmental funds and accrued as deferred revenue as they were earned as of June 30, 2007, but not received until after August 31, 2007.		361,131
Revenue not recognized in the governmental funds in the prior year were accrued in the statement of net assets as they were earned but not received.		(115,641)
Change in net assets of governmental activities	$	5,683,261

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	$16,209,138	$ 6,454,273	$ 22,663,411
Investments	2,051,543	5,577,363	7,628,906
Accounts receivable	1,042,323	685,829	1,728,152
Interest receivable	130,109	84,549	214,658
Prepaid expenses	12,887	12,359	25,246
Inventory	9,268	50,661	59,929
Total Current Assets	19,455,268	12,865,034	32,320,302
Non Current Assets			
Due from other funds	913,000	-	913,000
Development fees receivable	203,590	31,263	234,853
Deferred issuance costs, net	348,993	76,000	424,993
Capital assets, net of accumulated depreciation	52,715,582	22,123,598	74,839,180
Total Non Current Assets	54,181,165	22,230,861	76,412,026
Total Assets	$73,636,433	$35,095,895	$ 108,732,328
LIABILITIES			
Current liabilities			
Accounts payable	$ 276,734	$ 251,189	$ 527,923
Accrued liabilities	29,341	24,556	53,897
Accrued interest payable	205,328	56,082	261,410
Deposits payable	40,192	40,192	80,384
Long term liabilities - current portion	753,001	144,547	897,548
Total Current Liabilities	1,304,596	516,566	1,821,162
Non Current Liabilities			
Compensated absences	61,340	57,469	118,809
Loans payable	6,739,250	-	6,739,250
Bonds payable	5,652,500	4,507,500	10,160,000
Total Non Current Liabilities	12,453,090	4,564,969	17,018,059
Total Liabilities	13,757,686	5,081,535	18,839,221
NET ASSETS:			
Invested in capital assets, net of related debt	52,715,582	17,471,551	74,839,180
Unrestricted	7,163,165	12,542,809	15,053,927
Total Net Assets	$59,878,747	$30,014,360	$ 89,893,107

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, 2007

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
OPERATING REVENUES			
Charges for services, net of refunds	$ 5,973,644	$ 4,019,083	$ 9,992,727
Other revenue	144,162	45,057	189,219
Total Operating Revenue	6,117,806	4,064,140	10,181,946
OPERATING EXPENSES			
Salaries and benefits	1,794,828	1,719,306	3,514,134
Materials, supplies, and operational expenses	881,033	1,373,620	2,254,653
Repairs and maintenance	630,656	616,107	1,246,763
Insurance	87,773	87,773	175,546
Contractual services	600,381	135,666	736,047
Taxes and licenses	31,943	12,038	43,981
Utilities	530,064	296,323	826,387
Depreciation	1,954,802	989,169	2,943,971
Total Operating Expenses	6,511,480	5,230,002	11,741,482
Operating Loss	(393,674)	(1,165,862)	(1,559,536)
NON-OPERATING REVENUES (EXPENSES)			
Amortization expense	(42,881)	(3,800)	(46,681)
Rental income	197,347	-	197,347
Interest income	743,964	641,021	1,384,985
Interest expense	(482,016)	(225,652)	(707,668)
Property taxes	29,209	-	29,209
Total Non-Operating Revenues	445,623	411,569	857,192
Loss Before Contributions and Transfers	51,949	(754,293)	(702,344)
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in	2,893,877	724,724	3,618,601
Transfers out	(2,895,331)	(741,228)	(3,636,559)
Capital contributions	584,033	210,056	794,089
Total Transfers and Capital Contributions	582,579	193,552	776,131
Change in net assets	634,528	(560,741)	73,787
Total Net Assets - July 1, 2006	59,244,219	30,575,101	89,819,320
Total Net Assets - June 30, 2007	$ 59,878,747	$ 30,014,360	$ 89,893,107

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 5,769,022	$ 3,944,913	$ 9,713,935
Cash paid to suppliers	(2,547,496)	(2,478,467)	(5,025,963)
Cash paid to employees	(1,793,926)	(1,714,653)	(3,508,579)
Net Cash Provided (Used) by Operating Activities	1,427,600	(248,207)	1,179,393
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes	29,209	-	29,209
Transfers to other funds	(1,454)	(16,504)	(17,958)
Net Cash Provided (Used) for Noncapital Financing Activities	27,755	(16,504)	11,251
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(664,981)	(78,773)	(743,754)
Principal paid on capital debt	(721,536)	(132,500)	(854,036)
Interest paid on capital debt	(492,138)	(226,975)	(719,113)
Net Cash Used for Capital and Related Financing Activities	(1,878,655)	(438,248)	(2,316,903)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,051,543)	(5,577,361)	(7,628,904)
Rental income	197,347	-	197,347
Interest and dividends	699,691	615,985	1,315,676
Net Cash Used for Investing Activities	(1,154,505)	(4,961,376)	(6,115,881)
Net Decrease in Cash and Cash Equivalents	(1,577,805)	(5,664,335)	(7,242,140)
Cash and Cash Equivalents - July 1, 2006	17,786,943	12,118,608	29,905,551
Cash and Cash Equivalents - June 30, 2007	$ 16,209,138	$ 6,454,273	$ 22,663,411

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

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

	Water Reclamation	Water	Totals
Operating Loss	$ (393,674)	$ (1,165,862)	$ (1,559,536)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation Expense	1,954,802	989,169	2,943,971
Adjustments to CIP	244,113	-	244,113
Changes in assets and liabilities:			
Increase in accounts receivable	(147,212)	(89,982)	(237,194)
Increase in notes receivable	(203,590)	(31,263)	(234,853)
Increase in prepaid expenses	(3,217)	(3,493)	(6,710)
(Increase) decrease in inventory	(3,928)	3,773	(155)
Increase (decrease) in accounts payable	(22,614)	42,780	20,166
Increase in deposits payable	2,018	2,018	4,036
Increase in accrued wages	1,015	655	1,670
Increase (decrease) in compensated absences	(113)	3,998	3,885
Net Cash Provided (Used) by Operating Activities	$ 1,427,600	$ (248,207)	$ 1,179,393
Supplementary information:			
Developer contributions	$ 583,033	$ 210,055	$ 793,088

See accompanying notes to the basic financial statements.

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 791,050
Investments	661,105
Accounts receivable	3,276
Interest receivable	8,399
Total Assets	$ 1,463,830
LIABILITIES	
Accounts payable	$ 34,097
Deposits payable	503,984
Due to special assessment districts	925,749
Total Liabilities	$ 1,463,830

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

Government-wide Financial Statements:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements:

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

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

Proprietary Funds

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

Fiduciary Funds (not included in government-wide statements)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

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

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

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

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

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

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

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

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

The Town also reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

a. All Governmental Funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. All Proprietary Funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net assets.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

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

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

D. Property Taxes

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do no constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Sonoma for the secured and unsecured property tax rolls. Under the provisions of Article XIIIA of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

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

E. Cash and Investments

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

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

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

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

F. Accounts and Interest Receivable

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Expenses and Inventory

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

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

H. Fixed Assets

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate earned vacation up to 160 hours. Additional accrual requires the Town Manager's approval. Employees may accumulate sick leave without limits. The Town's liability for compensated absences is recorded in the government-wide Statement of Net Assets for governmental funds and the Statement of Net Assets for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2007. Accumulated unpaid vacation and sick pay are accrued when earned. At retirement, management personnel have the option of receiving 20 percent of their accumulated sick leave as a lump sum payment or 100 percent as additional service credit. Upon termination, 20 percent of the accumulated sick leave may only be taken as a lump sum payment. Other employees may apply their accumulated sick leave as additional service credit at retirement.

J. Long Term Liabilities

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

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

K. Interfund Transactions

Following is a description of the four basic types of interfund transactions made during the year and the related accounting policies:

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

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

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

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

Transactions between funds of the Town are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds on the balance sheet of the governmental funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications

Government-wide Statements

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

a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets - Consists of net assets with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

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

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

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

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

M. General Budget Policies

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

N. Use of Estimates

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

	Cash	Investments	Total
Governmental activities	$ 32,111,589	$ 16,683,704	$ 48,795,293
Business-type activities	22,663,411	7,628,906	30,292,317
Total government-wide cash and investments	54,775,000	24,312,610	79,087,610
Fiduciary activities	791,050	661,105	1,452,155
Total cash and investments	$ 55,566,050	$ 24,973,715	$ 80,539,765

Cash and investments are carried at fair value as of June 30, 2007 and consist of the following:

Cash in investment pools	$ 52,173,121
Cash with fiscal agent	877,835
Restricted cash	91,245
Investments	24,973,715
Cash in Banks	2,423,224
Petty Cash	625
Total cash and investments	$ 80,539,765

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, 2007:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
County Investment Pool	$ 10,726,229	$ -	$ 10,726,229
State Investment Pool	41,437,636	-	41,437,636
Investments:	-	-	-
Federal Home Loan Bank	2,999,600	9,992,800	12,992,400
Federal National Mortgage Association	1,988,965	7,994,750	9,983,715
Federal Farm Credit Bank Funding Corporation	-	1,997,600	1,997,600
Held by bond trustee:			
Money market funds	333,809	-	333,809
	$ 57,486,239	$ 19,985,150	$ 77,471,389

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

		Rating as of Fiscal Year End		
	Total	S&P	Moody's	N/A
County Investment Pool	$ 10,726,229			Not rated
State Investment Pool	41,437,636			Not rated
Investments:	-			
Federal Home Loan Bank	12,992,400	AAA	Aaa	
Federal National Mortgage Association	9,983,715	AAA	Aaa	
Federal Farm Credit Banks Funding Corporation	1,997,600	AAA	Aaa	
Held by bond trustee:				
Money market funds	333,809			Not rated
	$ 77,471,389			

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2007, the carrying amount of the Town's deposits was $2,423,224 and bank balances were $901,714, of which $100,000 was insured.

Investment in State and County Investment Pool

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Allocation of Interest Income Among Funds

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

NOTE 3: NOTES AND LOANS RECEIVABLE

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

The balance of notes and loans receivable, net of allowance, has been offset in the fund financial statements by deferred revenue as they are not expected to be repaid during the fiscal year June 30, 2008.

These notes and loans receivable, including interest, comprised the following at June 30, 2007 and are explained in detail below.

	Notes Receivable
Forest Winds Apartments	$ 493,000
Winter Creek Village Apartments	987,372
Vinecrest	903,000
Twin Oaks	125,000
Total	$ 2,508,372

A. Forest Winds Apartments Notes Receivable

In March 1992, the Sonoma County Community Development Commission entered into an agreement to loan $340,000 to Burbank Housing Development Corporation (Burbank), a nonprofit public benefit corporation, for property acquisition and development costs of an affordable housing project in the Town of Windsor. This note has been assigned to the Low and Moderate Income Housing Fund of the Agency and is to accrue 3 percent simple interest for 30 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2007 was $153,000.

B. Winter Creek Village Apartments Notes Receivable

In January 2003, various loans were granted to the Burbank Housing Development Corporation for the Winter Creek Village Apartment Project. The total loan amount of $1,085,000 was for property acquisition development costs, fees, and permits for an affordable housing project in the Town of Windsor. This note has been assigned to the Low and Moderate Income Housing Fund of the Agency and is to accrue 3 percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2007 was $215,000.

C. Vinecrest Note Receivable

In January 1997, the Agency made payments to the Burbank Housing Development Corporation for the development costs of an affordable housing project (Vinecrest Housing Project). These amounts are show as a receivable in the Low and Moderate Income Housing Fund of the Agency. The loan accrues interest at 3 percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2007 was $215,000.

NOTE 3: NOTES AND LOANS RECEIVABLE (CONTINUED)

D. Twin Oaks Notes Receivable

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

As of June 30, 2007, loans receivable and related deferral revenue in the Low and Moderate Income Housing Fund totaled $2,508,372.

NOTE 4: DEVELOPMENT FEES RECEIVABLE

The Town entered into an agreement with Burbank Housing Development, a California nonprofit public benefit corporation (the "Corporation"), for the deferral of payment of certain development related fees related to the Los Amigos Self Help Homes project. The development fees are due at the time the Corporation closes permanent financing for the project or 30 months from the commencement of construction, whichever date occurs first. At June 30, 2007, the development fees being deferred are as follows:

Drainage fees	$	41,854
Park and recreation fees		160,990
Public facilities fees		29,240
Traffic fees		129,047
Water capacity fees		31,263
Water reclamation fees		203,590
Total	$	595,984

NOTE 5 : LAND HELD FOR REDEVELOPMENT

At June 30, 2007, the Agency held these properties for resale or development:

867 Twin Oaks Lane	$	367,258
840 Twin Oaks Lane		355,214
	$	722,472

NOTE 6: INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

Transfer from	Transfer To	Description of Transfer	Amount
Major Governmental Funds			
General Fund	RDA Capital Projects	Downtown infrastructure improvements	$ 49,000
General Fund	RDA Capital Projects	Loan to RDA	240,682
General Fund	Debt Service	Scheduled debt service	233,704
General Fund	Water Reclamation Operations	Scheduled debt service	144,870
General Fund	Lighting & Landscaping Assessment	Cover fund balance deficit	835,800
General Fund	Gas Tax	Project funding	50,000
General Fund	Capital Replacement	Future capital projects	55,700
General Fund	Park Development	Project funding	25,000
Drainage Mitigation	Traffic Mitigation	New loan	800,000
RDA Debt Service	Lighting & Landscaping Assessment	Tax increment revenue	3,649
RDA Debt Service	General Fund	Scheduled debt service	240,682
	Total Major Governmental Interfund Transfers		1,879,087
Non-Major Governmental Funds			
Gas Tax	RDA Capital Projects	Downtown infrastructure improvements	51,000
Gas Tax	RDA Capital Project	Windsor Road enhancement project	30,000
Gas Tax	General Fund	Facility cost sharing	4,878
Public, Education, & Governmental	General Fund	Loan service	26,800
Public Facilities	Water Operations	Scheduled debt service	86,922
Public Facilities	Debt Service	Scheduled debt service	157,071
	Total Non-Major Governmental Interfund Transfers		1,156,671
	Total Governmental Interfund Transfers		$ 3,035,758
Proprietary Funds			
Water Reclamation Operations	General Fund	Facility cost sharing	$ 58,988
Water Reclamation Operating	Water Reclamation Repair & Replacement	Future replacement purchases	1,463,000
Water Reclamation Operating	Debt Service	Scheduled debt service	58,362
Water Reclamation Repair & Replacement	Water Operations	Funding for capital replacement	50,000
Water Reclamation Capital	Water Reclamation Operating	Funding of capital purchases	600,000
Water Operating	General Fund	Facility cost sharing	74,038
Water Operating	Debt Service	Scheduled debt service	58,362
Water Operating	Water Conservation	Funding of future purchases	150,000
Water Conservation	Water Operating	Project Funding	390,517
Water Reclamation Capital	Water Reclamation Operating	Funding of capital purchases	664,981
Water Capital	Water Operating	Project Funding	68,311
	Total Proprietary Interfund Transfers		$ 3,636,559
	Total Interfund Transfers		$ 6,672,317

NOTE 7: CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2006	Additions	Retirements	Adjustments (Note 15)	Balance at June 30, 2007
Capital assets not being depreciated					
Land	$ 31,320,065	$ 990,352	$ -	$ -	$ 32,310,417
Rights of way	358	2	-	-	360
Construction-in-progress	12,923,280	593,458	-	(3,569,527)	9,947,211
Total	44,243,703	1,583,812	-	(3,569,527)	42,257,988
Capital assets being depreciated					
Buildings	6,752,409	-	-	-	6,752,409
Improvements other than buildings	12,804,097	93,883	-	-	12,897,980
Equipment and machinery	865,359	-	-	-	865,359
Infrastructure	101,468,301	2,112,883	-	-	103,581,184
Vehicles	795,093	13,274	(50,336)	-	758,031
Total	122,685,259	2,220,040	(50,336)	-	124,854,963
Less accumulated depreciation					
Buildings	(1,525,565)	(134,721)	-	-	(1,660,286)
Improvements other than buildings	(4,244,397)	(539,318)	-	-	(4,783,715)
Equipment and machinery	(647,801)	(72,769)	-	-	(720,570)
Infrastructure	(30,797,531)	(2,320,684)	-	-	(33,118,215)
Vehicles	(343,474)	(105,660)	50,336	-	(398,798)
Total accumulated depreciation	(37,558,768)	(3,173,152)	50,336	-	(40,681,584)
Total capital assets, net	$ 129,370,194	$ 630,700	$ -	$ (3,569,527)	$ 126,431,367

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

Governmental Activities:

General administration	$ 207,774
Public safety	39,035
Public works	554,117
Community development and recreation	10,261
Parks	539,317
Streets and roads	1,822,648
Total governmental activities depreciation expense	$ 3,173,152

NOTE 7: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	Balance at July 1, 2006	Additions	Retirements	Balance at June 30, 2007
Water Fund:				
Capital assets not being depreciated				
Land	$ 628,586	$ -	$ -	$ 628,586
Construction-in-progress	729,330	-	(572,130)	157,200
Total	1,357,916	-	(572,130)	785,786
Capital assets being depreciated				
Infrastructure (utility systems)	31,133,209	782,185	-	31,915,394
Equipment and machinery	820,008	-	-	820,008
Vehicles	499,448	78,774	-	578,222
Total	32,452,665	860,959	-	33,313,624
Less accumulated depreciation				
Infrastructure (utility systems)	(10,022,574)	(909,190)	-	(10,931,764)
Equipment and machinery	(607,092)	(52,179)	-	(659,271)
Vehicles	(356,977)	(27,800)	-	(384,777)
Total accumulated depreciation	(10,986,643)	(989,169)	-	(11,975,812)
Total capital assets, net	$ 22,823,938	$ (128,210)	$ (572,130)	$ 22,123,598

	Balance at July 1, 2006	Additions	Retirements	Balance at June 30, 2007
Water Reclamation Fund:				
Capital assets not being depreciated				
Land	$ 6,265,121	$ -	$ -	$ 6,265,121
Construction-in-progress	1,392,748	596,669	(244,113)	1,745,304
Total	7,657,869	596,669	(244,113)	8,010,425
Capital assets being depreciated				
Infrastructure (utility systems)	61,789,110	584,033	-	62,373,143
Equipment and machinery	2,967,695	-	-	2,967,695
Vehicles	681,510	68,311	-	749,821
Total	65,438,315	652,344	-	66,090,659
Less accumulated depreciation				
Infrastructure (utility systems)	(16,516,040)	(1,766,567)	-	(18,282,607)
Equipment and machinery	(2,377,445)	(158,319)	-	(2,535,764)
Vehicles	(537,215)	(29,916)	-	(567,131)
Total accumulated depreciation	(19,430,700)	(1,954,802)	-	(21,385,502)
Total capital assets, net	$ 53,665,484	$ (705,789)	$ (244,113)	$ 52,715,582

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

Water Fund	$ 989,169
Water Reclamation Fund	1,954,802
Total business-type activities depreciation expense	$ 2,943,971

NOTE 8: LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term liabilities for the fiscal year ended June 30, 2007:

	Balance at July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Governmental activities:					
Compensated absences	$ 162,529	$ 45,128	$ (21,966)	$ 185,691	$ 21,966
Tax allocation bonds	8,585,000	-	(325,000)	8,260,000	330,000
Revenue bonds	6,045,000	-	(200,000)	5,845,000	210,000
Total Governmental activities	$ 14,792,529	$ 45,128	$ (546,966)	$ 14,290,691	$ 561,966
Business-type activities:					
Water Fund:					
Compensated absences	60,518	11,045	(7,047)	64,516	7,047
Revenue bonds	4,777,500	-	(132,500)	4,645,000	137,500
	4,838,018	11,045	(139,547)	4,709,516	144,547
Water Reclamation Fund:					
State Revolving Fund	7,500,198	-	(375,036)	7,125,162	385,912
Compensated absences	72,042	10,476	(10,589)	71,929	10,589
Revenue bonds	6,172,500	-	(317,500)	5,855,000	327,500
General obligation bonds	183,000	-	(29,000)	154,000	29,000
	13,927,740	10,476	(732,125)	13,206,091	753,001
Total Business-type activities	$ 18,765,758	$ 21,521	$ (871,672)	$ 17,915,607	$ 897,548

NOTE 8: LONG-TERM LIABILITES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2007 follows:

A. Governmental Activities

Tax Allocation Bonds - Series 1998

On December 3, 1998 the Agency issued $4,480,000 of Tax Allocation bonds (Series 1998) to (1) finance acquisition and construction of a downtown park project in the Town of Windsor, (2) establish a reserve fund for the bonds, (3) capitalize a portion of the interest on the bonds, and (4) pay the cost of issuing the bonds. The bonds were issued at a discount of $34,213 and issuance costs were $195,180. Interest on the 1998 bonds is payable on September 1 and March 1 of each year through September 1, 2024, beginning on September 1, 2000. Interest rates on the bonds vary between 3.50 and 4.875 percent. The bonds shall be secured by a first pledge of and a lien on all of the pledged tax revenues. The outstanding principal balance of the 1998 bonds at June 30, 2007 is $3,640,000.

Tax Allocation Bonds - Series 2004

On October 7, 2004, the Agency issued $5,020,000 of Tax Allocation Bonds (Series 2004) to (1) finance acquisition and construction of certain activities in the project area, (2) refund the Agency's 1994 Tax Allocation Bonds in the amount of $3,925,000, and (3) pay the cost of issuing the bonds. The bonds were issued at a discount of $41,534, and issuance costs were $159,518. Principal is payable on September 1 each year through 2024, beginning in 2005. Interest is payable on September 1 and March 1 of each year through September 2024. Interest rates on the bonds vary between 2.00 and 4.60 percent. The bonds shall be secured by a first pledge of and a lien on all the pledged tax revenues. The outstanding principal balance of the 2004 bonds at June 30, 2007 is $4,620,000.

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, 2007 is $5,845,000.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of $1,416,378 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, 2007 was $82,274.

NOTE 8: LONG-TERM LIABILITES (CONTINUED)

Governmental Activities Long-Term Liabilities Amortization:

1998 Tax Allocation Bonds

For the Year Ending June 30	Principal	Interest	Total
2008	$ 135,000	$ 169,286	$ 304,286
2009	140,000	163,716	303,716
2010	150,000	157,696	307,696
2011	150,000	151,321	301,321
2012	160,000	144,576	304,576
2013 - 2017	910,000	602,542	1,512,542
2018 - 2022	1,155,000	353,589	1,508,589
2023 - 2027	840,000	63,165	903,165
Total	$ 3,640,000	$ 1,805,891	$ 5,445,891

2004 Tax Allocation

For the Year Ending June 30	Principal	Interest	Total
2008	$ 195,000	$ 169,602	$ 364,602
2009	200,000	165,652	365,652
2010	200,000	161,202	361,202
2011	210,000	155,865	365,865
2012	215,000	149,753	364,753
2013 - 2017	1,180,000	636,301	1,816,301
2018 - 2022	1,410,000	387,774	1,797,774
2023 - 2027	1,010,000	69,525	1,079,525
Total	$ 4,620,000	$ 1,895,674	$ 6,515,674

2001 A Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2008	$ 210,000	$ 290,152	$ 500,152
2009	220,000	281,332	501,332
2010	230,000	271,767	501,767
2011	235,000	261,652	496,652
2012	250,000	249,763	499,763
2013 - 2017	1,450,000	1,028,437	2,478,437
2018 - 2022	1,880,000	589,635	2,469,635
2023 - 2027	1,370,000	105,000	1,475,000
Total	$ 5,845,000	$ 3,077,738	$ 8,922,738

NOTE 8: LONG-TERM LIABILITES (CONTINUED)

TOTAL GOVERNMENTAL ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2008	$ 540,000	$ 629,040	$ 1,169,040
2009	560,000	610,700	1,170,700
2010	580,000	590,665	1,170,665
2011	595,000	568,838	1,163,838
2012	625,000	544,092	1,169,092
2013 - 2017	3,540,000	2,267,280	5,807,280
2018 - 2022	4,445,000	1,330,998	5,775,998
2023 - 2027	3,220,000	237,690	3,457,690
Total	$ 14,105,000	$ 6,779,303	$ 20,884,303

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, 2007 is $154,000.

Revenue Bonds

On June 11, 2002, the Town of Windsor and the Windsor Water District issued through the California Statewide Communities Development Authority $10,290,000 of Water and Wastewater Revenue Bonds Series 2002B. The bonds are due in installments beginning October 1, 2003 and ending October 1, 2027. The bonds carry interest rates ranging from 4.00 to 5.25 percent and interest is due and payable in semi-annual installments on October 1 and April 1. After paying issuance costs, the funds were deposited with a trustee and will be used to finance a new Water and Wastewater Corporation Yard. The outstanding principal balance of the bonds at June 30, 2007 is $9,290,000.

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, 2007, is $1,210,000.

NOTE 8: LONG-TERM LIABILITES (CONTINUED)

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, 2007, the outstanding principal balance of the loan is $7,125,162.

Deferred Charges

Capitalized bond costs related to the Business-type long term liabilities have been recorded as deferred issuance costs in the amount of $424,993 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, 2007 was $46,681.

Business-type Long-Term Liabilities Amortization

General Obligation Bonds

For the Year Ending June 30	Principal	Interest	Total
2008	$ 29,000	$ 7,700	$ 36,700
2009	30,000	6,250	36,250
2010	32,000	4,750	36,750
2011	12,000	3,150	15,150
2012	6,000	2,550	8,550
2013 - 2017	37,000	7,750	44,750
2018 - 2022	8,000	500	8,500
Total	$ 154,000	$ 32,650	$ 186,650

2002 B Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2008	$ 275,000	$ 448,654	$ 723,654
2009	290,000	437,654	727,654
2010	300,000	426,054	726,054
2011	310,000	414,054	724,054
2012	325,000	401,654	726,654
2013 - 2017	1,825,000	1,796,195	3,621,195
2018 - 2022	2,315,000	1,312,540	3,627,540
2023 - 2027	2,960,000	661,740	3,621,740
2028 - 2032	690,000	36,225	726,225
Total	$ 9,290,000	$ 5,934,770	$ 15,224,770

NOTE 8: LONG-TERM LIABILITES (CONTINUED)

2004 C Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2008	$ 190,000	$ 34,661	$ 224,661
2009	195,000	30,326	225,326
2010	200,000	25,336	225,336
2011	200,000	18,936	218,936
2012	210,000	11,248	221,248
2013 - 2017	215,000	3,655	218,655
Total	$ 1,210,000	$ 124,162	$ 1,334,162

State Revolving Fund Loan

For the Year Ending June 30	Principal	Interest	Total
2008	$ 385,912	$ 206,630	$ 592,542
2009	397,103	195,438	592,541
2010	408,619	183,922	592,541
2011	420,469	172,072	592,541
2012	432,663	159,879	592,542
2013 - 2017	2,358,963	483,747	2,842,710
2018 - 2022	2,721,433	241,276	2,962,709
Total	$ 7,125,162	$ 1,642,964	$ 8,768,126

TOTAL BUSINESS TYPE ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2008	$ 879,912	$ 697,645	$ 1,577,557
2009	912,103	669,668	1,581,771
2010	940,619	640,062	1,580,681
2011	942,469	608,212	1,550,681
2012	973,663	575,331	1,548,994
2013 - 2017	4,435,963	2,291,347	6,727,310
2018 - 2022	5,044,433	1,554,316	6,598,749
2023 - 2027	2,960,000	661,740	3,621,740
2028 - 2032	690,000	36,225	726,225
Total	$ 17,779,162	$ 7,734,546	$ 25,513,708

NOTE 9: SPECIAL ASSESSMENT DISTRICTS

The Town of Windsor Water District has issued Limited Obligation Improvement Bonds under the provision of the Improvement Bond Act of 1915 for the Brooks Assessment District and the Conde Assessment District. The assessments are secured by a lien on the parcels of land within the assessment districts. 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 principal and interest. In the event of delinquent assessments, the Town has covenanted to institute foreclosure proceedings to sell the land with delinquent installments for the amount of such delinquent installments in order to obtain funds to pay the debt service on the bonds. At June 30, 2007, the outstanding principal balance on the Brooks Assessment District and the Conde Reassessment District Bonds was $0 and $15,000, respectively. The bonds mature in September 2007.

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, 2007, the outstanding principal amount of the bonds was $5,210,000. The bonds mature in September 2034.

NOTE 10: OPERATING LEASES

The Town has commitments to lease certain office equipment. The total rent expense as of June 30, 2007 was $42,488. Future minimum rental commitments for equipment operating leases as of June 30, 2007 are as follows:

Year ending June 30, 2008	$	7,470

NOTE 11: TOWN EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

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

Funding Policy

Participants are required to contribute 7 percent of their annual covered salary. The Town is required to contribute an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2007 was 11.822 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.

NOTE 9: PENSION PLAN (CONTINUED)

Annual Pension Cost

For the fiscal year ended June 30, 2007, the Town's annual pension cost (employer contribution) of $621,833 for miscellaneous employees was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method.

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

Three Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$ 406,854	100%	-
2006	$ 535,530	100%	-
2007	$ 621,833	100%	-

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

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/03**	$ 2,596,966,545	$ 2,372,879,034	$ 224,087,511	91.4%	$ 725,020,458	30.9%
6/30/04**	$ 2,746,095,668	$ 2,460,944,656	$ 285,151,012	89.6%	$ 743,691,970	38.3%
6/30/05**	$ 2,891,460,651	$ 2,588,713,000	$ 302,747,651	89.5%	$ 755,046,679	40.1%

* UAAL - Unfunded actuarial accrued liability
** A new State Law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members, the Town of Windsor is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

NOTE 12: 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, 2007 is as follows:

Total Assets	$	17,799,324
Total Liabilities	$	13,474,112
Net Assets	$	4,325,212
Total Revenues	$	8,321,430
Total Expenses	$	7,995,047
Change in Net Assets	$	326,383

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, 2007, 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 13: 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. On August 1, 2003, the bonds were remarketed. As a result, credit support is provided by Fannie Mae, where previously it was provided by Chase Manhattan. At June 30, 2007, the principal balance of the bonds were $4,015,000.

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 - PRIOR PERIOD ADJUSTMENT

The Town determined that certain construction in progress projects were either closed and/or incomplete and should no longer be included as part of the Town's fixed assets. Accordingly, the government-wide statement of net assets for governmental activities has been adjusted to reflect the following prior period adjustment.

	Net Assets, as previously reported	Restatement	Net Assets, as restated
Total Net Assets	$ 161,673,217	$ (3,569,527)	$ 158,103,690

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINDSOR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL BIENNIUM ENDED JUNE 30, 2007

	2005-2007 Budgeted Amounts			
	Original	Final	2005-2007 Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 6,961,400	$ 7,469,400	$ 7,701,111	$ 231,711
Sales taxes	6,510,000	6,510,000	7,580,306	1,070,306
Other taxes	3,044,000	6,339,841	5,953,833	(386,008)
Licenses, permits and fees	2,588,500	2,743,113	2,492,959	(250,154)
Fines and forfeitures	-	55,000	103,389	48,389
Rental income	160,000	160,000	167,675	7,675
Use of money and property	195,000	195,000	584,208	389,208
Intergovernmental	1,987,641	(105,220)	638,156	743,376
Charges for services	1,094,800	1,066,300	956,900	(109,400)
Other revenues	26,000	31,050	157,822	126,772
Total Revenues	22,567,341	24,464,484	26,336,359	1,871,875
EXPENDITURES				
General administration	3,319,717	3,130,405	3,047,236	(83,169)
Public safety	9,662,052	9,609,951	9,117,841	(492,110)
Public works	863,592	1,581,257	1,470,795	(110,462)
Community development	6,383,776	6,620,731	5,710,594	(910,137)
Parks	88,208	88,208	54,844	(33,364)
Capital outlay	1,130,894	1,492,993	1,214,438	(278,555)
Pass through payments - ERAF	272,020	-	136,010	136,010
Total Expenditures	21,720,259	22,523,545	20,751,758	(1,771,787)
Excess of revenues over expenditures	847,082	1,940,939	5,584,601	3,643,662
OTHER FINANCING SOURCES (USES)				
Transfers in	810,775	875,985	875,985	-
Transfers out	(3,171,515)	(5,620,515)	(5,620,515)	-
Total other financing sources (uses)	(2,360,740)	(4,744,530)	(4,744,530)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,513,658)	(2,803,591)	840,071	3,643,662
Fund balances - July 1, 2005			6,783,192	
Fund balances - June 30, 2007			$ 7,623,263	

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS

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

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

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

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

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

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.

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

DEBT SERVICE FUNDS

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

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

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

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

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

	Gas Tax	Transportation Development Act	Asset Forfeiture	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Public Education and Government Grant
ASSETS						
Cash	$ 90,532	$ 58,152	$ 1,019	$ 13,166	$ 588,296	$ 11,457
Investments	212,307	34,771	578	7,491	300,341	17,151
Accounts receivable	62,040	-	-	-	1,489	13,676
Interest receivable	3,106	13	11	144	7,632	230
Notes receivable	-	-	-	-	-	-
Development fees receivable	-	-	-	-	-	-
Prepaid expenses	50,796	-	-	-	258	-
Land held for resale	-	-	-	-	-	-
Total Assets	$ 418,781	$ 92,936	$ 1,608	$ 20,801	$ 898,016	$ 42,514
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 52,691	$ -	$ -	$ -	$ 97,944	$ 1,299
Accrued expenditures	9,123	-	-	-	10,538	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	53,332	-	-	-	-
Total Liabilities	61,814	53,332	-	-	108,482	1,299
FUND BALANCES:						
Reserved:						
Land held for resale	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Prepaid Expenditures	50,796	-	-	-	258	-
Special revenue funds	306,171	39,604	1,608	20,801	789,276	41,215
Capital project funds	-	-	-	-	-	-
Total Fund Balances	356,967	39,604	1,608	20,801	789,534	41,215
Total Liabilities and Fund Balances	$ 418,781	$ 92,936	$ 1,608	$ 20,801	$ 898,016	$ 42,514

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

	Community Development Block Grant	Strong Motion	Public Facilities	Tree Removal Mitigation	Pool Creek Maintenance	Capital Replacement
ASSETS						
Cash	$ 179	$ 3,995	$ 900,219	$ 15,379	$ 4,916	$ 4,972,193
Investments	146	3,487	585,538	8,736	2,792	2,820,314
Accounts receivable	-	-	-	-	-	-
Interest receivable	-	51	10,275	168	54	53,868
Notes receivable	-	-	-	-	-	-
Development fees receivable	-	-	29,240	-	-	-
Prepaid expenses	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	$ 325	$ 7,533	$ 1,525,272	$ 24,283	$ 7,762	$ 7,846,375
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ -	$ 811	$ -	$ -	$ -	$ 35,989
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	-	-	29,240	-	-	-
Due to other funds	-	-	-	-	-	-
Total Liabilities	-	811	29,240	-	-	35,989
FUND BALANCES:						
Reserved:						
Land held for resale	-	-	-	-	-	-
Low and moderate housing	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-
Special revenue funds	325	6,722	1,496,032	24,283	7,762	7,810,386
Capital project funds	-	-	-	-	-	-
Total Fund Balances	325	6,722	1,496,032	24,283	7,762	7,810,386
Total Liabilities and Fund Balances	$ 325	$ 7,533	$ 1,525,272	$ 24,283	$ 7,762	$ 7,846,375

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

	Park Development	Fire Mitigation	RDA Capital Project	RDA Low and Moderate Income Housing	Debt Service	**Total Non-major Governmental Funds**
ASSETS						
Cash	$ 3,184,394	$ 1,140,434	$ 3,446,104	$ 7,450	$ 8,620	$ 14,446,505
Investments	1,811,836	-	-	3,827,851	5,196	9,638,535
Accounts receivable	5	-	-	-	-	77,210
Interest receivable	35,136	-	24,365	16,728	177	151,958
Notes receivable	-	-	-	2,508,372	-	2,508,372
Development fees receivable	160,990	-	-	-	-	190,230
Prepaid expenses	19	-	42	9	2,292	53,416
Land held for resale	-	-	-	722,472	-	722,472
Total Assets	$ 5,192,380	$ 1,140,434	$ 3,470,511	$ 7,082,882	$ 16,285	$ 27,788,698
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	$ 76,721	$ -	$ 46,123	$ 35,196	$ -	$ 346,774
Accrued expenditures	24,237	-	30,771	1,673	-	76,342
Deferred revenue	160,990	-	-	2,508,372	-	2,698,602
Due to other funds	-	-	-	1,643,370	-	1,696,702
Total Liabilities	261,948	-	76,894	4,188,611	-	4,818,420
FUND BALANCES:						
Reserved:						
Land held for resale	-	-	-	722,472	-	722,472
Low and moderate housing	-	-	-	2,171,790	-	2,171,790
Debt service	-	-	-	-	13,993	13,993
Prepaid Expenditures	19	-	42	9	2,292	53,416
Special revenue funds	-	-	-	-	-	10,544,185
Capital project funds	4,930,413	1,140,434	3,393,575	-	-	9,464,422
Total Fund Balances	4,930,432	1,140,434	3,393,617	2,894,271	16,285	22,970,278
Total Liabilities and Fund Balances	$ 5,192,380	$ 1,140,434	$ 3,470,511	$ 7,082,882	$ 16,285	$ 27,788,698

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Gas Tax	Transportation Development Act	Asset Forfeiture	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Public Education and Government Grant
REVENUES						
Property taxes	$ -	$ -	$ -	$ -	$ 1,525	$ -
Other taxes	-	-	-	-	822,687	-
Use of property	-	-	-	-	-	-
Investment earnings	21,535	165	74	960	79,412	1,494
Intergovernmental	1,671,084	1,044,716	-	-	-	54,839
Charges for services	-	-	-	-	-	-
Other revenue	36,733	-	-	-	5,231	-
Total Revenues	1,729,352	1,044,881	74	960	908,855	56,333
EXPENDITURES						
General administration	-	-	-	-	-	46,723
Public works	-	-	-	-	1,631,447	-
Community development	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Streets and roads	618,777	1,044,716	-	-	-	-
Housing	-	-	-	-	-	-
Capital Outlay	1,358,457	-	-	-	28,913	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	1,977,234	1,044,716	-	-	1,660,360	46,723
Excess (deficiency) of revenues over expenditures	(247,882)	165	74	960	(751,505)	9,610
OTHER FINANCING SOURCES (USES)						
Transfer from other governmental districts	-	-	-	-	-	-
Transfers in	50,000	-	-	-	839,449	-
Transfers out	(85,878)	-	-	-	-	(26,800)
Total other financing sources (uses)	(35,878)	-	-	-	839,449	(26,800)
Net change in fund balance	(283,760)	165	74	960	87,944	(17,190)
Fund balances - July 1, 2006	640,727	39,439	1,534	19,841	701,590	58,405
Fund balances - June 30, 2007	$ 356,967	$ 39,604	$ 1,608	$ 20,801	$ 789,534	$ 41,215

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Community Development Block Grant	Strong Motion	Public Facilities	Tree Removal Mitigation	Pool Creek Maintenance	Capital Replacement
REVENUES						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-	-	-
Use of property	-	-	-	-	-	-
Investment earnings	253	335	73,872	1,076	341	342,672
Intergovernmental	-	174	-	-	-	25,000
Charges for services	-	-	115,016	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	253	509	188,888	1,076	341	367,672
EXPENDITURES						
General administration	-	-	-	-	-	40,292
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Streets and roads	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	22,444
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	62,736
Excess (deficiency) of revenues over expenditures	253	509	188,888	1,076	341	304,936
OTHER FINANCING SOURCES (USES)						
Transfer from other governmental districts	-	-	-	-	-	-
Transfers in	-	-	-	-	-	55,700
Transfers out	-	-	(243,993)	-	-	-
Total other financing sources (uses)	-	-	(243,993)	-	-	55,700
Net change in fund balance	253	509	(55,105)	1,076	341	360,636
Fund balances - July 1, 2006	72	6,213	1,551,137	23,207	7,421	7,449,750
Fund balances - June 30, 2007	$ 325	$ 6,722	$ 1,496,032	$ 24,283	$ 7,762	$ 7,810,386

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Park Development	Fire Mitigation	RDA Capital Project	RDA Low and Moderate Income Housing	Debt Service	**Total Non-major Governmental Funds**
REVENUES						
Property taxes	$ -	$ -	$ -	$ 689,097	$ -	$ 690,622
Other taxes	-	-	-	-	-	822,687
Use of property	-	-	-	275,269	-	275,269
Investment earnings	230,217	276	137,005	202,743	(14,020)	1,078,410
Intergovernmental	38,200	-	-	-	-	2,834,013
Charges for services	349,316	45,577	-	-	-	509,909
Other revenue	-	-	-	-	-	41,964
Total Revenues	617,733	45,853	137,005	1,167,109	(14,020)	6,252,874
EXPENDITURES						
General administration	-	-	-	-	-	87,015
Public works	-	-	-	-	-	1,631,447
Community development	-	-	301,716	-	-	301,716
Parks	79,256	-	-	-	-	79,256
Streets and roads	-	-	-	-	-	1,663,493
Housing	-	-	-	60,502	-	60,502
Capital Outlay	391,207	-	768,917	154,671	-	2,724,609
Debt service:						
Principal	-	-	-	-	200,000	200,000
Interest and fiscal charges	-	-	-	-	304,599	304,599
Total Expenditures	470,463	-	1,070,633	215,173	504,599	7,052,637
Excess (deficiency) of revenues over expenditures	147,270	45,853	(933,628)	951,936	(518,619)	(799,763)
OTHER FINANCING SOURCES (USES)						
Transfer from other governmental districts	-	1,094,581	-	-	-	1,094,581
Transfers in	25,000	-	370,682	-	507,499	1,848,330
Transfers out	-	-	-	-	-	(356,671)
Total other financing sources (uses)	25,000	1,094,581	370,682	-	507,499	2,586,240
Net change in fund balance	172,270	1,140,434	(562,946)	951,936	(11,120)	1,786,477
Fund balances - July 1, 2006	4,758,162	-	3,956,563	1,942,335	27,405	21,183,801
Fund balances - June 30, 2007	$ 4,930,432	$ 1,140,434	$ 3,393,617	$ 2,894,271	$ 16,285	$ 22,970,278

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, 2007

	Water Reclamation			
	Operating	Capital Replacement	Capital	Totals
ASSETS				
Current Assets				
Cash	$ 3,543,144	$ 5,337,570	$ 7,328,424	$16,209,138
Investments	-	-	2,051,543	2,051,543
Accounts receivable	1,039,991	-	2,332	1,042,323
Interest receivable	10,489	47,213	72,407	130,109
Prepaid expenses	12,854	-	33	12,887
Inventory	9,268	-	-	9,268
Total Current Assets	4,615,746	5,384,783	9,454,739	19,455,268
Non Current Assets				
Due from other funds	913,000	-	-	913,000
Development fees receivable	-	-	203,590	203,590
Deferred issuance costs, net	348,993	-	-	348,993
Capital assets, net of accumulated depreciation	52,715,582	-	-	52,715,582
Total Non Current Assets	53,977,575	-	203,590	54,181,165
Total Assets	$58,593,321	$ 5,384,783	$ 9,658,329	$73,636,433
LIABILITIES				
Current liabilities				
Accounts payable	$ 188,690	$ -	$ 88,044	$ 276,734
Accrued liabilities	27,100	-	2,241	29,341
Accrued interest payable	12,529	-	192,799	205,328
Deposits payable	40,192	-	-	40,192
Long term liabilities - current portion	367,089	-	385,912	753,001
Total Current Liabilities	635,600	-	668,996	1,304,596
Non Current Liabilities				
Compensated absences	57,044	-	4,296	61,340
Loans payable	-	-	6,739,250	6,739,250
Bonds payable	1,093,292	-	4,559,208	5,652,500
Total Non Current Liabilities	1,150,336	-	11,302,754	12,453,090
Total Liabilities	1,785,936	-	11,971,750	13,757,686
NET ASSETS:				
Invested in capital assets, net of related debt	51,265,790	-	-	52,715,582
Unrestricted	5,541,595	5,384,783	(2,313,421)	7,163,165
Total Net Assets	$56,807,385	$ 5,384,783	$ (2,313,421)	$59,878,747

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Water				
	Operating	Water Conservation	Capital Replacement	Capital	Totals
ASSETS					
Current Assets					
Cash	$ 4,075,046	$ 98,759	$ 2,029,794	$ 250,674	$ 6,454,273
Investments	-	-	-	5,577,363	5,577,363
Accounts receivable	684,414	-	-	1,415	685,829
Interest receivable	28,166	667	13,882	41,834	84,549
Prepaid expenses	12,338	-	-	21	12,359
Inventory	50,661	-	-	-	50,661
Total Current Assets	4,850,625	99,426	2,043,676	5,871,307	12,865,034
Non Current Assets					
Development fees receivable	-	-	-	31,263	31,263
Deferred issuance costs, net	76,000	-	-	-	76,000
Capital assets, net of accumulated depreciation	22,123,598	-	-	-	22,123,598
Total Non Current Assets	22,199,598	-	-	31,263	22,230,861
Total Assets	$27,050,223	$ 99,426	$ 2,043,676	$ 5,902,570	$35,095,895
LIABILITIES					
Current liabilities					
Accounts payable	$ 234,123	$ -	$ -	$ 17,066	$ 251,189
Accrued liabilities	23,752	-	-	804	24,556
Accrued interest payable	1,036	-	-	55,046	56,082
Deposits payable	40,192	-	-	-	40,192
Long term liabilities - current portion	7,047	-	-	137,500	144,547
Total Current Liabilities	306,150	-	-	210,416	516,566
Non Current Liabilities					
Compensated absences	54,584	-	-	2,885	57,469
Bonds payable	85,792	-	-	4,421,708	4,507,500
Total Non Current Liabilities	140,376	-	-	4,424,593	4,564,969
Total Liabilities	446,526	-	-	4,635,009	5,081,535
NET ASSETS:					
Invested in capital assets, net of related debt	21,986,098	-	-	-	17,471,551
Unrestricted	4,617,599	99,426	2,043,676	1,267,561	12,542,809
Total Net Assets	$26,603,697	$ 99,426	$ 2,043,676	$ 1,267,561	$30,014,360

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Water Reclamation			
	Operating	Capital Replacement	Capital	Totals
OPERATING REVENUES				
Charges for services, net of refunds	$ 5,002,271	$ -	$ 971,373	$ 5,973,644
Other revenue	144,162	-	-	144,162
Total Operating Revenue	5,146,433	-	971,373	6,117,806
OPERATING EXPENSES				
Salaries and benefits	1,685,898	-	108,930	1,794,828
Materials, supplies, and operational expenses	856,768	10,029	14,236	881,033
Repairs and maintenance	630,656	-	-	630,656
Insurance	87,773	-	-	87,773
Contractual services	600,381	-	-	600,381
Taxes and licenses	31,943	-	-	31,943
Utilities	530,064	-	-	530,064
Depreciation	1,954,802	-	-	1,954,802
Total Operating Expenses	6,378,285	10,029	123,166	6,511,480
Operating Income (Loss)	(1,231,852)	(10,029)	848,207	(393,674)
NON-OPERATING REVENUES (EXPENSES)				
Amortization expense	(42,881)	-	-	(42,881)
Rental income	176,643	-	20,704	197,347
Interest income	3,246	263,555	477,163	743,964
Interest expense	(482,016)	-	-	(482,016)
Property taxes	29,209	-	-	29,209
Total Non-Operating Revenues (Expenses)	(315,799)	263,555	497,867	445,623
Income (Loss) Before Contributions and Transfers	(1,547,651)	253,526	1,346,074	51,949
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	1,430,877	1,463,000	-	2,893,877
Transfers out	(1,580,350)	(50,000)	(1,264,981)	(2,895,331)
Capital contributions	584,033	-	-	584,033
Total Transfers and Capital Contributions	434,560	1,413,000	(1,264,981)	582,579
Change in net assets	(1,113,091)	1,666,526	81,093	634,528
Total Net Assets - July 1, 2006	57,920,476	3,718,257	(2,394,514)	59,244,219
Total Net Assets - June 30, 2007	$ 56,807,385	$ 5,384,783	$ (2,313,421)	$ 59,878,747

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Water				
	Operating	Water Conservation	Capital Replacement	Capital	Totals
OPERATING REVENUES					
Charges for services, net of refunds	$ 3,814,590	$ -	$ -	$ 204,493	$ 4,019,083
Other revenue	45,057	-	-	-	45,057
Total Operating Revenue	3,859,647	-	-	204,493	4,064,140
OPERATING EXPENSES					
Salaries and benefits	1,650,067	-	-	69,239	1,719,306
Materials, supplies, and operational expenses	1,270,645	-	29,310	73,665	1,373,620
Repairs and maintenance	616,107	-	-	-	616,107
Insurance	87,773	-	-	-	87,773
Contractual services	135,666	-	-	-	135,666
Taxes and licenses	12,038	-	-	-	12,038
Utilities	296,323	-	-	-	296,323
Depreciation	989,169	-	-	-	989,169
Total Operating Expenses	5,057,788	-	29,310	142,904	5,230,002
Operating Income (Loss)	(1,198,141)	-	(29,310)	61,589	(1,165,862)
NON-OPERATING REVENUES (EXPENSES)					
Amortization expense	(3,800)	-	-	-	(3,800)
Interest income	130,089	8,860	77,515	424,557	641,021
Interest expense	(225,652)	-	-	-	(225,652)
Total Non-Operating Revenues (Expenses)	(99,363)	8,860	77,515	424,557	411,569
Income (Loss) Before Contributions and Transfers	(1,297,504)	8,860	48,205	486,146	(754,293)
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Transfers in	574,724	150,000	-	-	724,724
Transfers out	(282,400)	(390,517)	-	(68,311)	(741,228)
Capital contributions	210,056	-	-	-	210,056
Total Transfers and Capital Contributions	502,380	(240,517)	-	(68,311)	193,552
Change in net assets	(795,124)	(231,657)	48,205	417,835	(560,741)
Total Net Assets - July 1, 2006	27,398,821	331,083	1,995,471	849,726	30,575,101
Total Net Assets - June 30, 2007	$ 26,603,697	$ 99,426	$ 2,043,676	$ 1,267,561	$ 30,014,360

AGENCY FUNDS

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

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

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

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

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

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

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

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

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2007

	Bonita Roble Trust Fund	Brooks Special Assessment District	Mitchell Shiloh Conde Assessment District	In-Lieu Agency Fund	Performance Bond Fund	Golf Course Fund	Miscellaneous Fund	Totals
ASSETS								
Cash	$ 10,711	$ 35,802	$ 422,572	$ 78,304	$ 107,561	$ 74,118	$ 61,982	$ 791,050
Investments	6,083	21,380	423,673	20,901	50,414	41,050	97,604	661,105
Accounts receivable	-	-	-	-	-	-	3,276	3,276
Interest receivable	117	8	6,708	684	20	825	37	8,399
Total Assets	$ 16,911	$ 57,190	$ 852,953	$ 99,889	$ 157,995	$ 115,993	$ 162,899	$ 1,463,830
LIABILITIES								
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 7,008	$ 27,089	$ 34,097
Deposits payable	16,911	-	-	84,283	157,995	108,985	135,810	503,984
Due to special assessment districts	-	57,190	852,953	15,606	-	-	-	925,749
Total Liabilities	$ 16,911	$ 57,190	$ 852,953	$ 99,889	$ 157,995	$ 115,993	$ 162,899	$ 1,463,830

TOWN OF WINDSOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Department of Transportation - Highway Planning and Construction	20.205	$ 1,026,962
U.S. Department of Health and Human Services - Special Program for the Aging, Title III, Part B	93.044	6,598
Total Federal Expenditures		$ 1,033,560

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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*

The Honorable Mayor and Members of the City Council
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, 2007, which collectively comprise the Town of Windsor's basic financial statements and have issued our report thereon dated October 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

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

PRINCIPALS
Chris A. Mann, CPA , CFP John R. Urrutia, CPA Michelle O. Nelson, CPA, CFE, CVA Christine L. Collins, EA
Kriss Ann Mann, CPA, CCPS Justin J. Williams, CPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
We noted certain other matters that we reported to management of the Town in a separate letter dated October 19, 2007.

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



Mann, Urrutia, Nelson CPAs
October 19, 2007

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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 Honorable 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, 2007. 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 of Windsor 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, 2007.

Internal Control Over Compliance

The 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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Mann, Urrutia, Nelson, CPAs
October 19, 2007

TOWN OF WINDSOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Significant deficiencies	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Significant deficiencies?	No
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
Major programs are as follows: U.S. Department of Transportation, Highway Planning and Construction (Federal-Aid Highway Program), 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 PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

None reported.