

TOWN OF WINDSOR
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

TOWN OF WINDSOR
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor as of June 30, 2012 and the respective changes in the financial position and cash flows where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2013 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedules of funding progress for CalPERS Pension Plan and Other Post Employment Benefits on pages 3 through 11 and 63 through 66, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because

the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OUM + Co. LLP

San Francisco, CA

January 2, 2013

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

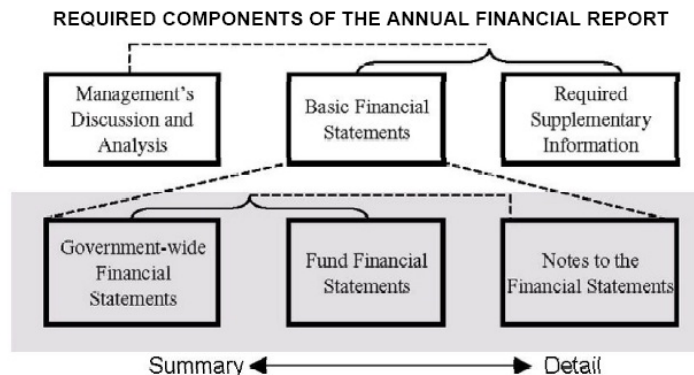
As management of the Town of Windsor (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town as of and for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here 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 \$259,250,906 (net assets). Of this amount, \$68,062,047 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$22,407 as a result of the year's operations and by \$10,264,340 as a result of the dissolution of the former Redevelopment Agency for a total decrease in net assets of \$10,286,747.
- At the close of this fiscal year, the Town's governmental funds reported total ending fund balances of \$34,097,121, a decrease of \$13,799,308, after expenditures for capital projects and extraordinary items. Approximately \$9,396,198 or 28% of the ending fund balances are available for spending at the Town's discretion (unassigned fund balance).
- The Town's total long-term liabilities decreased by \$10,298,969, or 30%, during the fiscal year, which includes a transfer of debt from the former Redevelopment Agency to the Successor Agency of approximately \$6.7 million.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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



Government-wide financial statements - The government-wide financial statements are comprised of the Statement of Net Assets and Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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. Effective February 1, 2012, pursuant to California Assembly Bill (AB) IX26, all redevelopment agencies in the State of California were dissolved. Therefore, only seven months of the former redevelopment agency transactions are included in the government-wide financial statements.

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.

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

The Town maintains twenty-seven individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Replacement Fund, Traffic Mitigation, and RDA Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

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

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

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

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

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

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

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

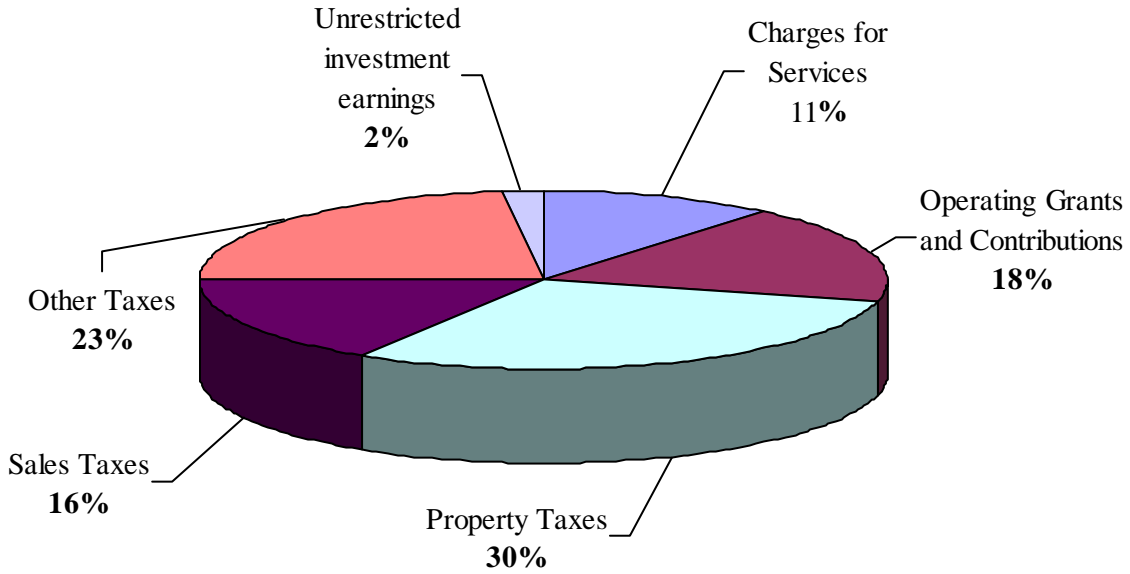
NET ASSETS						
JUNE 30, 2012 AND 2011						
ASSETS	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 42,452,884	\$ 56,890,647	\$ 30,184,591	\$ 29,812,019	\$ 72,637,475	\$ 86,702,666
Capital assets	137,004,819	143,730,945	80,017,318	80,485,769	217,022,137	224,216,714
Total assets	179,457,703	200,621,592	110,201,909	110,297,788	289,659,612	310,919,380
LIABILITIES						
Current liabilities	3,569,379	4,137,019	2,393,153	2,499,567	5,962,532	6,636,586
Long-term liabilities	11,391,891	20,820,433	13,054,183	13,924,708	24,446,174	34,745,141
Total liabilities	14,961,270	24,957,452	15,447,336	16,424,275	30,408,706	41,381,727
NET ASSETS						
Invested in capital assets net of related debt	125,046,419	121,966,987	66,142,440	65,777,462	191,188,859	187,744,449
Unrestricted	39,450,014	53,697,153	28,612,033	28,096,051	68,062,047	81,793,204
Total net assets	\$ 164,496,433	\$ 175,664,140	\$ 94,754,473	\$ 93,873,513	\$ 259,250,906	\$ 269,537,653

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. Certain reclassifications have been made to conform with the current year presentation.

Governmental activities: Significant revenues of the governmental activities are taxes (69%), which include property taxes, sales taxes, and other taxes. Program revenues are 29% of the total revenues of the governmental activities, which include charges for services, operating contributions and grants, and capital contributions and grants. Tax revenues increased by 4% due to an increase in property tax values from the sale of homes relative to the previous property values and a reduction in sales tax. Capital grants and contributions decreased by 100% due to a reduction in donated infrastructure.

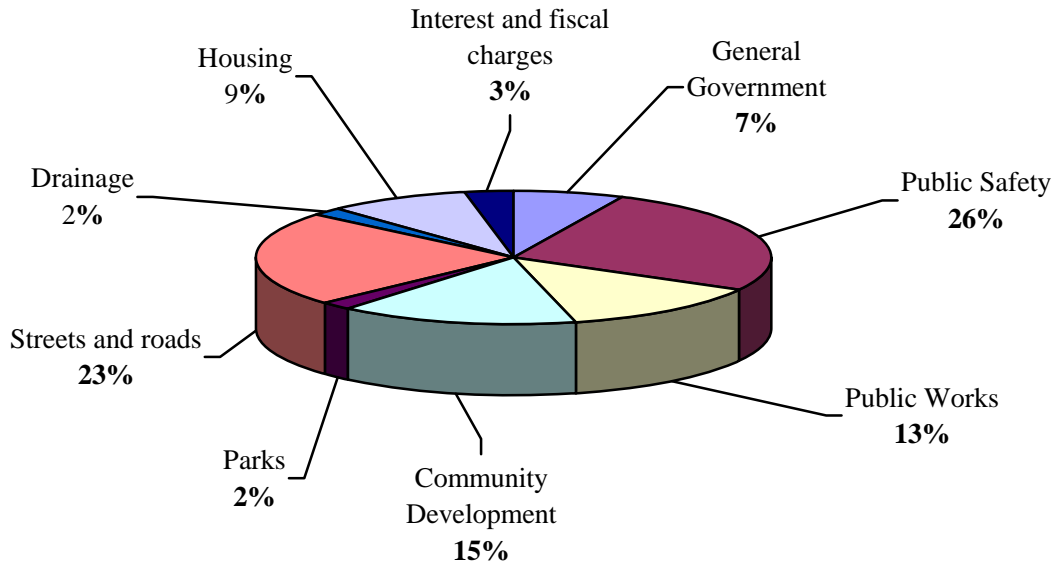
**TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012**



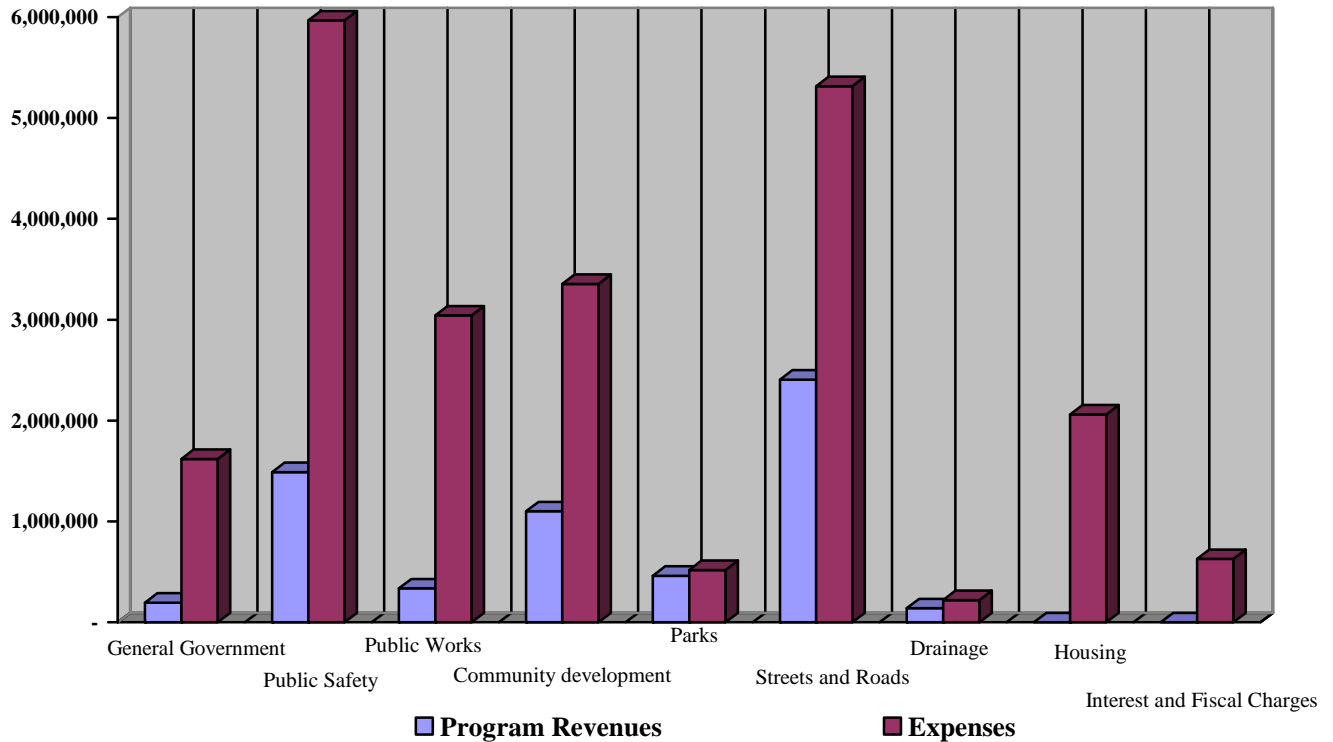
As for expenses, public safety expenses are the most significant (26%) of all governmental activities expenses, followed by streets and roads (23%), community development (15%), public works (13%), housing (9%), general government (7%), and various other programs (7%). Included in these amounts is depreciation expense, which is 16% of the total expenses for governmental activities.

**EXPENSES BY FUNCTION/PROGRAM - GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012**



TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

COMPARISON OF EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL
ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012
(in dollars)



Business-type activities: In the fiscal year ended June 30, 2012 business-type activities decreased the Town's net assets by \$880,960. Key elements of this change are as follows:

Charges for services increased by \$1,629,977 primarily due to an increase in water rates.

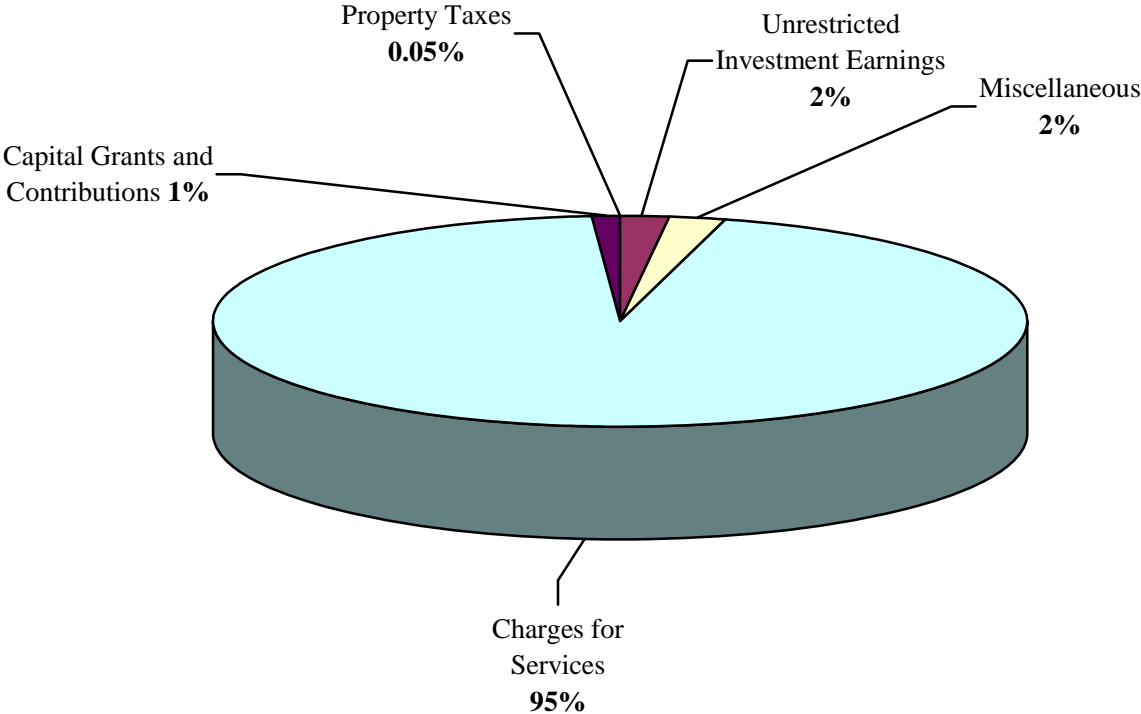
Capital grants and contributions increased by \$60,953 due to increased spending on infrastructure (utility systems) for the water and water reclamation systems.

Operating expenses decreased by \$658,939. Salaries, benefits, supplies, repairs, insurance, utilities, and contractual services increased while depreciation and taxes showed a decrease.

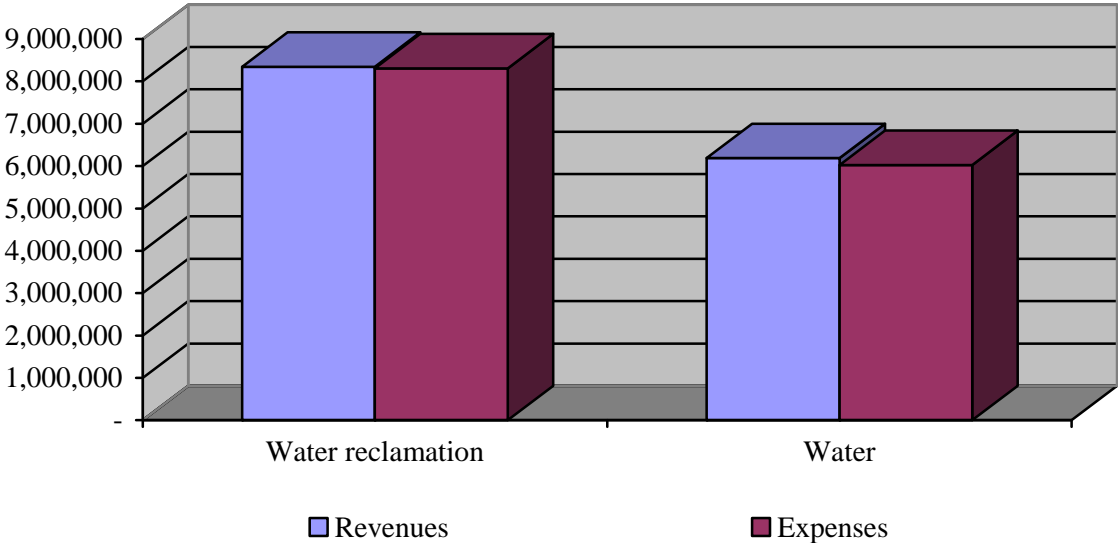
Unrestricted investment earnings increased by \$54,513 primarily due to a higher rate of return over the previous year.

**TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012**



**COMPARISON OF EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012
(in dollars)**



TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the Town's governmental funds reported total ending fund balance of \$34,097,121, a decrease of \$13,799,308 from the prior fiscal year. Total cash and restricted cash decreased by \$17,015,768 while investments increased by \$2,275,286, resulting in an overall decrease in cash and investments. Approximately 28% of the total ending fund balances constituted unassigned fund balances, which are considered available for appropriation. The remaining fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The most significant portion of the reserved fund balances is to pay debt service.

Governmental fund revenues were \$2,629,548 higher than in the prior fiscal year, and expenditures increased by \$4,184,838. Charges for services accounted for a significant portion of the increase in revenues. Interest and charges for services also saw an increase. Principal payments of long-term debt accounted for most of the increases in expenditures.

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

The Water Utility's net assets increased \$449,100 in the 2011-12 fiscal year. This increase was primarily due to an increase in charges for services, resulting in a net operating income of \$439,796.

The Water Reclamation Utility's net assets increased \$431,860 in the current fiscal year which was primarily due to an increase in charges for services, resulting in a net operating income of \$420,587.

CAPITAL ASSETS

Capital assets - The Town's investment in capital assets for its governmental and business-type activities at June 30, 2012, amounted to \$217,022,137 (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 \$6,515,444.

	CAPITAL ASSETS			
	(net of accumulated depreciation)			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 30,074,138	\$ 32,310,417	\$ 6,893,707	\$ 6,893,707
Rights of way	407	407	-	-
Construction in Progress	1,897,899	20,765,746	6,563,711	12,224,410
Buildings	4,767,609	5,034,027	-	-
Improvements other than buildings	5,761,743	7,674,911	-	-
Equipment and machinery	65,132	98,907	202,828	193,845
Infrastructure	94,235,666	77,732,698	66,225,299	60,948,140
Vehicles	202,225	113,832	131,773	225,667
Total	<u>\$ 137,004,819</u>	<u>\$ 143,730,945</u>	<u>\$ 80,017,318</u>	<u>\$ 80,485,769</u>

TOWN OF WINDSOR
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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

DEBT ADMINISTRATION

Long-term liabilities - The Town's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$26,310,246 at June 30, 2012. Of this total \$12,226,786, or 46%, was in governmental activities and \$14,083,460, or 54%, was in business-type activities. The Town's outstanding long-term liabilities decreased by \$10,656,254 or 29% in fiscal year 2012, of which \$6,678,391 was transferred to the Redevelopment Successor Agency.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
General obligation bonds	\$ -	\$ -	\$ 45,000	\$ 51,000
Revenue bonds	11,958,400	12,730,000	8,130,000	8,540,000
Tax allocation bonds	-	5,100,000	-	-
Notes and loans payable	-	3,933,958	5,672,912	6,117,307
Compensated absences	268,386	260,171	235,548	234,064
Total	<u>\$ 12,226,786</u>	<u>\$ 22,024,129</u>	<u>\$ 14,083,460</u>	<u>\$ 14,942,371</u>

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a \$105,491 decrease in general fund appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2012. Additional budget figures are shown on page 63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Town budget for the fiscal year 2011-12, the Town Council and management were conservative as to the projected growth of revenues and expenditures. The local economy is forecasted to continue to remain flat through 2013 with initial signs of a gradual recovery beginning in 2013. Unemployment will remain at a high level through mid 2013. In turn, the Town's principle revenues including sales tax, property tax and all development-related fees will remain flat, with gradual growth beginning in 2013. In view of the inherent uncertainty and volatility of the current economy, it is especially difficult to predict how long the current economic downturn will go or how long it will linger. Therefore, staff will continue to monitor actual revenues in all funds to adjust current spending plans as necessary to maintain a balanced budget.

REQUESTS FOR INFORMATION

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

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,755,280	\$ 21,660,163	\$ 39,415,443
Investments	13,469,505	5,248,221	18,717,726
Accounts receivable	1,908,620	2,689,801	4,598,421
Interest receivable	31,654	24,476	56,130
Notes receivable, net	4,952,267	-	4,952,267
Prepaid expenses	13,584	13,424	27,008
Inventory	120,323	60,386	180,709
Restricted cash and cash equivalents	3,453,843	236,287	3,690,130
Deferred charges, net of amortization	747,808	251,833	999,641
Capital assets			
Land and construction in progress	31,972,444	13,457,418	45,429,862
Other capital assets, net of depreciation	105,032,375	66,559,900	171,592,275
	<u>137,004,819</u>	<u>80,017,318</u>	<u>217,022,137</u>
Total capital assets			
	<u>\$ 179,457,703</u>	<u>\$ 110,201,909</u>	<u>\$ 289,659,612</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 2,082,045	\$ 955,539	\$ 3,037,584
Accrued liabilities	192,125	163,866	355,991
Accrued interest payable	218,851	139,729	358,580
Deposits payable	48,463	104,842	153,305
Accrued compensated absences			
Due within one year	26,195	26,966	53,161
Due in more than one year	242,191	208,582	450,773
Long-term liabilities			
Due within one year	1,001,700	1,002,211	2,003,911
Due in more than one year	10,956,700	12,845,701	23,802,401
Net OPEB obligation	193,000	-	193,000
	<u>14,961,270</u>	<u>15,447,436</u>	<u>30,408,706</u>
Total Liabilities			
	<u>\$ 179,457,703</u>	<u>\$ 110,201,909</u>	<u>\$ 289,659,612</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	125,046,419	66,142,440	191,188,859
Unrestricted	39,450,014	28,612,033	68,062,047
	<u>164,496,433</u>	<u>94,754,473</u>	<u>259,250,906</u>
Total Net Assets			
	<u>\$ 179,457,703</u>	<u>\$ 110,201,909</u>	<u>\$ 289,659,612</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,620,288	\$ 139,986	\$ 55,071	\$ -	\$ (1,425,231)	\$ -	\$ (1,425,231)
Public safety	5,968,081	176,445	1,313,501	-	(4,478,135)	-	(4,478,135)
Public works	3,043,748	314,833	21,196	-	(2,707,719)	-	(2,707,719)
Community development	3,355,318	750,082	350,668	-	(2,254,568)	-	(2,254,568)
Parks	519,359	461,860	-	-	(57,499)	-	(57,499)
Streets and roads	5,316,241	343,279	2,295,805	-	(2,677,157)	-	(2,677,157)
Drainage	220,577	139,867	-	-	(80,710)	-	(80,710)
Housing	2,061,349	-	-	-	(2,061,349)	-	(2,061,349)
Interest and fiscal charges	627,566	-	-	-	(627,566)	-	(627,566)
Total governmental activities	<u>22,732,527</u>	<u>2,326,352</u>	<u>4,036,241</u>	<u>-</u>	<u>(16,369,934)</u>	<u>-</u>	<u>(16,369,934)</u>
Business-type activities:							
Water reclamation	8,305,592	8,344,344	-	-	-	38,752	38,752
Water	6,024,896	6,075,022	-	114,565	-	164,691	164,691
Total business-type activities	<u>14,330,488</u>	<u>14,419,366</u>	<u>-</u>	<u>114,565</u>	<u>-</u>	<u>203,443</u>	<u>203,443</u>
Total primary government	<u>\$ 37,063,015</u>	<u>\$ 16,745,718</u>	<u>\$ 4,036,241</u>	<u>\$ 114,565</u>	<u>(16,369,934)</u>	<u>203,443</u>	<u>(16,166,491)</u>
General revenues:							
Property taxes					6,590,663	7,080	6,597,743
Sales taxes					3,398,262	-	3,398,262
Other taxes					4,982,670	-	4,982,670
Motor vehicle in-lieu tax					13,335	-	13,335
Unrestricted investment earnings					428,273	311,999	740,272
Miscellaneous					73,941	337,861	411,802
Transfers					(20,577)	20,577	-
Total general revenues and transfers					<u>15,466,567</u>	<u>677,517</u>	<u>16,144,084</u>
Change in net assets before extraordinary item					(903,367)	880,960	(22,407)
Extraordinary item					(10,264,340)	-	(10,264,340)
Change in net assets					(11,167,707)	880,960	(10,286,747)
Net assets - July 1, 2011					<u>175,664,140</u>	<u>93,873,513</u>	<u>269,537,653</u>
Net assets - June 30, 2012					<u>\$ 164,496,433</u>	<u>\$ 94,754,473</u>	<u>\$ 259,250,906</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Replacement Fund	Traffic Mitigation Fund	RDA - Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 8,459,608	\$ 7,472,084	\$ 704,166	\$ -	\$ 1,119,422	\$ 17,755,280
Restricted cash and cash equivalents	168,783	537,483	124,313	-	2,623,264	3,453,843
Investments	1,590,299	2,224,468	751,581	-	8,903,157	13,469,505
Accounts receivable	1,146,275	-	2,333	-	760,012	1,908,620
Interest receivable	9,714	9,310	1,425	-	11,205	31,654
Advances to other funds	53,332	-	-	-	1,100,000	1,153,332
Prepaid expenses	11,911	-	-	-	1,673	13,584
Inventory	45,237	-	-	-	75,086	120,323
Notes receivable	-	-	-	-	4,952,267	4,952,267
Total Assets	\$ 11,485,159	\$ 10,243,345	\$ 1,583,818	\$ -	\$ 19,546,086	\$ 42,858,408
<u>LIABILITIES AND OTHER FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ 1,252,448	\$ 15,277	\$ 1,316	\$ -	\$ 813,004	\$ 2,082,045
Accrued liabilities	145,476	-	2,955	-	43,694	192,125
Deferred revenue	100,555	-	-	-	5,184,767	5,285,322
Deposits payable	48,463	-	-	-	-	48,463
Advances from other funds	-	-	1,100,000	-	53,332	1,153,332
Total Liabilities	1,546,942	15,277	1,104,271	-	6,094,797	8,761,287
FUND BALANCES:						
Nonspendable	110,480	-	-	-	1,176,759	1,287,239
Restricted	33,456	-	-	-	2,174,477	2,207,933
Assigned	264,211	10,228,068	479,547	-	10,233,925	21,205,751
Unassigned	9,530,070	-	-	-	(133,872)	9,396,198
Total Fund Balances	9,938,217	10,228,068	479,547	-	13,451,289	34,097,121
Total Liabilities and Fund Balances	\$ 11,485,159	\$ 10,243,345	\$ 1,583,818	\$ -	\$ 19,546,086	\$ 42,858,408

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, 2012

Total fund balances of governmental funds	\$ 34,097,121
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 \$56,519,446	137,004,819
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and, therefore, are offset by deferred revenue in the governmental funds.	5,285,322
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds	
Long-term liabilities	(11,958,400)
Compensated absences	(268,386)
Net OPEB obligation	(193,000)
Deferred charges, net of accumulated amortization of \$746,209 for debt issuance costs and discounts on long-term liabilities are expensed when incurred, and therefore are not reported in the governmental funds	747,808
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds	<u>(218,851)</u>
Net assets of governmental activities	<u><u>\$ 164,496,433</u></u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Replacement Fund	Traffic Mitigation Fund	RDA - Capital Projects (7 months ended 1/31/12)	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>						
Property taxes	\$ 3,610,008	\$ -	\$ -	\$ 2,383,514	\$ 597,141	\$ 6,590,663
Sales taxes	3,297,707	-	-	-	-	3,297,707
Other taxes	4,087,463	-	-	-	908,542	4,996,005
Licenses, permits, and fees	350,566	-	-	-	56,843	407,409
Fines and forfeitures	53,632	-	-	-	-	53,632
Rental income	79,126	-	-	-	-	79,126
Investment earnings	99,091	92,043	18,194	8,051	157,268	374,647
Intergovernmental	164,163	-	-	-	3,740,457	3,904,620
Charges for services	744,991	-	343,279	-	697,915	1,786,185
Other revenues	64,081	-	-	199	9,663	73,943
Total Revenues	<u>12,550,828</u>	<u>92,043</u>	<u>361,473</u>	<u>2,391,764</u>	<u>6,167,829</u>	<u>21,563,937</u>
<u>EXPENDITURES</u>						
General administration	1,080,091	46,551	-	-	45,526	1,172,168
Public safety	5,890,816	-	-	-	64,550	5,955,366
Public works	682,302	-	-	1,631	1,533,844	2,217,777
Community development	2,700,331	-	-	279,533	235,222	3,215,086
Streets and roads	-	-	85,179	-	1,763,250	1,848,429
Drainage	-	-	-	-	220,577	220,577
Housing	-	-	-	172	2,061,177	2,061,349
Capital outlay	1,291,621	441,059	31,456	183,341	1,486,272	3,433,749
Debt service:						
Principal	-	-	-	-	5,970,000	5,970,000
Interest	-	-	-	-	812,274	812,274
Total Expenditures	<u>11,645,161</u>	<u>487,610</u>	<u>116,635</u>	<u>464,677</u>	<u>14,192,692</u>	<u>26,906,775</u>
Excess (deficiency) of revenues over expenditures	<u>905,667</u>	<u>(395,567)</u>	<u>244,838</u>	<u>1,927,087</u>	<u>(8,024,863)</u>	<u>(5,342,838)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	118,274	300,000	-	1,000,000	2,275,266	3,693,540
Transfers out	(1,463,630)	-	-	(23,349)	(2,227,140)	(3,714,119)
Proceeds from notes receivable	-	-	-	-	368,690	368,690
Proceeds from loans	-	-	-	-	4,914,900	4,914,900
Repayment of loans	-	-	-	-	(2,072,067)	(2,072,067)
Total Other Financing Sources (Uses)	<u>(1,345,356)</u>	<u>300,000</u>	<u>-</u>	<u>976,651</u>	<u>3,259,649</u>	<u>3,190,944</u>
Net change in fund balance before extraordinary items	<u>(439,689)</u>	<u>(95,567)</u>	<u>244,838</u>	<u>2,903,738</u>	<u>(4,765,214)</u>	<u>(2,151,894)</u>
<u>EXTRAORDINARY ITEMS</u>						
RDA dissolution transactions	-	-	-	(5,047,586)	(6,599,828)	(11,647,414)
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,047,586)</u>	<u>(6,599,828)</u>	<u>(11,647,414)</u>
Net change in fund balance	<u>(439,689)</u>	<u>(95,567)</u>	<u>244,838</u>	<u>(2,143,848)</u>	<u>(11,365,042)</u>	<u>(13,799,308)</u>
Fund balances - July 1, 2011	<u>10,377,906</u>	<u>10,323,635</u>	<u>234,709</u>	<u>2,143,848</u>	<u>24,816,331</u>	<u>47,896,429</u>
Fund balances - June 30, 2012	<u>\$ 9,938,217</u>	<u>\$ 10,228,068</u>	<u>\$ 479,547</u>	<u>\$ -</u>	<u>\$ 13,451,289</u>	<u>\$ 34,097,121</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
RECONCILIATION OF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	\$ (13,799,308)
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	2,437,243
Capital asset write-offs	(595,513)
Depreciation expense	(3,631,650)
Net capital assets transferred to Redevelopment Successor Agency	(4,936,206)
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	5,970,000
Loan repayment	2,072,067
Long-term bond transferred to Redevelopment Successor Agency	4,725,000
Long-term loan transferred to Redevelopment Successor Agency	1,953,391
Proceeds from long-term notes payable are an other financing source in governmental funds, but an increase in long-term liabilities in the Statement of Net Assets.	
Proceeds from notes payable	(4,914,900)
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.	
Compensated absence balance transferred to Redevelopment Successor Agency	(64,371) 5,629
Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increase the assets in the Statement of Net Assets.	
Amortization of bond issuance costs	(30,999)
Net bond issuance costs transferred to Redevelopment Successor Agency	(431,328)
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.	
Accrued interest on notes receivable	53,626
Write-off of notes receivable	(50,000)
Net change in notes receivable	(469,569)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the governmental funds	
	333,055
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.	
Accrued interest transferred to Redevelopment Successor Agency	215,707 66,588
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	
Other post employment benefits	(76,169)
Changes in net assets of governmental activities	\$ (11,167,707)

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 8,495,968	\$ 13,164,195	\$ 21,660,163
Investments	5,065,960	182,261	5,248,221
Accounts receivable	1,496,989	1,192,812	2,689,801
Interest receivable	12,267	12,209	24,476
Prepaid expenses	6,759	6,665	13,424
Inventory	6,293	54,093	60,386
Total Current Assets	15,084,236	14,612,235	29,696,471
Non-Current Assets			
Restricted cash and cash equivalents	\$ 145,516	\$ 90,771	\$ 236,287
Deferred issuance costs, net	132,333	119,500	251,833
Capital assets, net of accumulated depreciation	57,976,725	22,040,593	80,017,318
Total Non-Current Assets	58,254,574	22,250,864	80,505,438
Total Assets	\$ 73,338,810	\$ 36,863,099	\$ 110,201,909
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 582,282	\$ 373,257	\$ 955,539
Accrued liabilities	81,572	82,294	163,866
Accrued interest payable	117,463	22,266	139,729
Deposits payable	52,421	52,421	104,842
Long term liabilities - current portion	845,183	183,994	1,029,177
Total Current Liabilities	1,678,921	714,232	2,393,153
Non-Current Liabilities			
Compensated absences	105,503	103,079	208,582
Loans payable	4,413,183	592,518	5,005,701
Bonds payable	4,050,000	3,790,000	7,840,000
Total Non-Current Liabilities	8,568,686	4,485,597	13,054,283
Total Liabilities	10,247,607	5,199,829	15,447,436
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	48,668,359	17,474,081	66,142,440
Unrestricted	14,422,844	14,189,189	28,612,033
Total Net Assets	63,091,203	31,663,270	94,754,473
Total Liabilities and Net Assets	\$ 73,338,810	\$ 36,863,099	\$ 110,201,909

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, 2012

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
<u>OPERATING REVENUES</u>			
Charges for services, net of refunds	\$ 8,109,955	\$ 6,075,022	\$ 14,184,977
Other revenue	238,192	99,669	337,861
Total Operating Revenue	8,348,147	6,174,691	14,522,838
<u>OPERATING EXPENSES</u>			
Salaries and benefits	2,660,137	2,510,522	5,170,659
Materials, supplies, and operational expenses	1,075,275	1,645,663	2,720,938
Repairs and maintenance	420,126	330,645	750,771
Insurance	65,210	65,210	130,420
Contractual services	1,156,723	222,093	1,378,816
Taxes and licenses	38,393	780	39,173
Utilities	634,214	14,794	649,008
Depreciation	1,831,624	1,052,170	2,883,794
Total Operating Expenses	7,881,702	5,841,877	13,723,579
Operating Income (Loss)	466,445	332,814	799,259
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Amortization expense	(107,703)	(3,800)	(111,503)
Rental income	234,389	-	234,389
Grant revenue	-	114,565	114,565
Interest income	136,563	175,436	311,999
Interest expense	(316,187)	(179,219)	(495,406)
Property taxes	7,080	-	7,080
Total Non-Operating Revenues (Expenses)	(45,858)	106,982	61,124
Income Before Contributions and Transfers	420,587	439,796	860,383
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>			
Transfers in	4,515,356	1,131,285	5,646,641
Transfers out	(4,504,083)	(1,121,981)	(5,626,064)
Total Transfers and Capital Contributions	11,273	9,304	20,577
Change in net assets	431,860	449,100	880,960
Total Net Assets - July 1, 2011	62,659,343	31,214,170	93,873,513
Total Net Assets - June 30, 2012	\$ 63,091,203	\$ 31,663,270	\$ 94,754,473

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Reclamation	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 8,189,456	\$ 5,971,153	\$ 14,160,609
Cash paid to suppliers	(3,490,131)	(2,198,706)	(5,688,837)
Cash paid to employees	(2,700,199)	(2,511,321)	(5,211,520)
Net Cash Provided by Operating Activities	<u>1,999,126</u>	<u>1,261,126</u>	<u>3,260,252</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes	7,080	-	7,080
Transfers to other funds	11,273	9,304	20,577
Repayment on Advances to other funds	913,000	-	913,000
Net Cash Provided by Noncapital Financing Activities	<u>931,353</u>	<u>9,304</u>	<u>940,657</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant revenue	-	114,565	114,565
Restricted cash	357,696	1,050,356	1,408,052
Acquisition and construction of capital assets	(2,190,427)	(224,916)	(2,415,343)
Proceeds of capital debt	3,790,000	3,790,000	7,580,000
Financing costs, net	105,000	105,000	210,000
Principal paid on capital debt	(4,706,163)	(4,069,232)	(8,775,395)
Interest paid on capital debt	(370,909)	(208,710)	(579,619)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(3,014,803)</u>	<u>557,063</u>	<u>(2,457,740)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase/disposal of investments	(3,484,208)	5,631,867	2,147,659
Rental income	234,389	-	234,389
Interest and dividends	145,401	176,263	321,664
Net Cash Provided by (Used for) Investing Activities	<u>(3,104,418)</u>	<u>5,808,130</u>	<u>2,703,712</u>
Net Decrease in Cash and Cash Equivalents	<u>(3,188,742)</u>	<u>7,635,623</u>	<u>4,446,881</u>
Cash and Cash Equivalents - July 1, 2011	<u>11,684,710</u>	<u>5,528,572</u>	<u>17,213,282</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 8,495,968</u>	<u>\$ 13,164,195</u>	<u>\$ 21,660,163</u>

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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

	Water Reclamation	Water	Totals
Operating Income (Loss)	\$ 466,445	\$ 332,814	\$ 799,259
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation expense	1,831,624	1,052,170	2,883,794
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(168,864)	(213,111)	(381,975)
Decrease in prepaid expenses	(6,759)	(6,665)	(13,424)
Increase in inventory	136	4,348	4,484
Decrease in accounts payable	(93,567)	82,796	(10,771)
Decrease in deposits payable	10,173	9,573	19,746
Increase in accrued wages	(37,222)	(5,123)	(42,345)
Increase in compensated absences	(2,840)	4,324	1,484
Net Cash Provided by (Used for) Operating Activities	\$ 1,999,126	\$ 1,261,126	\$ 3,260,252

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Successor Agency Private Purpose Trust Funds	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,697,082	\$ 837,172	\$ 9,534,254
Restricted cash and cash equivalents	182,891	100,440	283,331
Investments	1,873,049	613,216	2,486,265
Prepays	2,982	-	2,982
Interest receivable	10,458	1,058	11,516
Capital assets, net of accumulated depreciation	4,930,012	-	4,930,012
Deferred charges, net of accumulated amortization	417,046	-	417,046
Total Assets	16,113,520	1,551,886	17,665,406
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	55,201	83,625	138,826
Deposits payable	-	594,450	594,450
Interest payable	66,588	-	66,588
Long-term liabilities:			
Due within one year	385,000	-	385,000
Due in more than one year	5,640,000	-	5,640,000
Due to special assessment districts	-	873,811	873,811
Total Liabilities	6,146,789	1,551,886	7,698,675
Total Net Assets	\$ 9,966,731	\$ -	\$ 9,966,731

See accompanying notes to the basic financial statements

TOWN OF WINDSOR
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS-PRIVATE PURPOSE TRUST FUNDS
SUCCESSOR AGENCY
FOR THE PERIOD FEBRUARY 1, 2012 TO JUNE 30, 2012

ADDITIONS

Investment earnings	\$	72,991
Transfers in		626,044
		626,044
Total additions		699,035

DEDUCTIONS

Interest expense		100,341
Residual amount of property taxes paid		44,196
Community development		184,917
Depreciation		26,864
Amortization		14,282
Transfers out		626,044
		626,044
Total deductions		996,644

Change in net assets before extraordinary items		(297,609)
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EXTRAORDINARY ITEMS

Extraordinary gain/(loss) from transfer of assets and liabilities of the Town of Windsor Redevelopment Agency		10,264,340
		10,264,340
Total extraordinary items		10,264,340
Change in net assets		9,966,731

Net assets held in trust - July 1, 2011		-
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Net assets held in trust - June 30, 2012	\$	9,966,731
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See accompanying notes to the basic financial statements

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 former Windsor Redevelopment Agency (the "Agency") was established on July 1, 1993, pursuant to the State of California Health and Safety Code, Section 33000. It consisted of one project area: the Windsor Project Area. Its purpose was 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 former Agency was controlled by the Town and had the same governing board as the Town. As of February 1, 2012, the former Agency was dissolved through State Assembly Bill 1X 26, which dissolved redevelopment agencies throughout the state of California. The activity of the former Agency is reported in the Town's financial statements for the seven-month period of July 1, 2011 through January 31, 2012. Certain assets, primarily loans receivable, have been retained by the Town, as it has taken over the housing functions of the former Agency. All remaining assets and liabilities have been transferred to the Successor Agency of the former Agency. The Successor Agency is reported in the Town's financial statements as a fiduciary private-purpose trust fund.

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.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

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.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund: The general fund is be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues is the foundation for a special revenue fund.

Capital Projects Fund: Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund: Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

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.

Private-Purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements (other than pension and investment trust funds) under which principal and income benefit individuals, private organizations, or other governments.

Major Funds

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

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

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

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Traffic Mitigation Fund - This fund is used to account for developer fees for the construction and implementation of improvements to the transportation system sufficient to accommodate the traffic volumes generated from new development.

Redevelopment Capital Projects - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities of the former Redevelopment Agency of the Town of Windsor. This fund was dissolved as of January 31, 2012.

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 types, which as noted above, are not included in the government-wide financial statements:

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.

Private Purpose Trust Funds - The Town also maintains private-purpose trust funds for the Successor Agency to the former Windsor Redevelopment Agency. Private-purpose trust funds include a Statement of Net Assets and a Statement of Changes in Net Assets.

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.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- 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. Private-purpose trust funds do report a statement of changes in net assets.

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

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
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unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

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

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

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

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

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

E. Cash and Investments

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

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

The Town's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF and the Sonoma County Investment Pool determine the fair value of their

TOWN OF WINDSOR
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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 and equity in the Town's cash and investment pool.

F. Accounts and Interest Receivable

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

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

G. Prepaid Expenses and Inventory

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

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

H. Capital Assets

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

I. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate earned vacation up to 160 hours. Additional accrual requires the Town Manager's approval. Employees may accumulate sick leave without limits. The Town's liability for compensated absences is recorded in the government-wide Statement of Net Assets for governmental funds and the Statement of Net Assets for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2012. Accumulated unpaid vacation and sick pay are accrued when earned. At retirement, management personnel have the option of receiving 20 percent of their accumulated sick leave as a lump sum payment or 100 percent as additional service credit. Upon termination, 20 percent of the accumulated sick leave may only be taken as a lump sum payment. Other employees may apply their accumulated sick leave as additional service credit at retirement.

J. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other

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

K. Interfund Transactions

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

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Operating transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

Transactions between funds of the Town are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as either “due to/from other funds” (e.g., current portion of interfund loans) or “advances to/from funds” (e.g., noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

L. Equity Classifications

Government-wide Statements

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

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

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Fund Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

In the fund financial statements, fund balances are in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. Fund balances are classified in the following categories:

1. *Nonspendable* – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.
2. *Restricted* – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.
3. *Committed* – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The Town Council is considered the highest authority for the Town.
4. *Assigned* – Assigned fund balances encompassed the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose.
5. *Unassigned* – This category is for any balances that have no restrictions placed upon them.

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.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

O. New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) Statements:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (“GASB 68”). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Statement 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position. This will result in requiring employers to recognize an unfunded pension obligation (i.e., the “net pension liability”) as a balance sheet liability in their government-wide basic financial statements. Governments will also have to enhance note disclosures and schedules of required supplementary information. GASB 68 is effective for fiscal year June 30, 2015 and earlier application is encouraged. The City is currently evaluating the impact of adopting this GASB Standard.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 were classified in the accompanying financial statements as follows:

	Cash and cash equivalents	Restricted cash and cash equivalents	Investments	Total
Governmental activities	\$ 17,755,280	\$ 3,453,843	\$ 13,469,505	\$ 34,678,628
Business-type activities	21,660,163	236,287	5,248,221	27,144,671
Total government wide cash and investments	<u>39,415,443</u>	<u>3,690,130</u>	<u>18,717,726</u>	<u>61,823,299</u>
Fiduciary activities	<u>9,534,254</u>	<u>283,331</u>	<u>2,486,265</u>	<u>12,303,850</u>
Total cash and investments	<u>\$ 48,949,697</u>	<u>\$ 3,973,461</u>	<u>\$ 21,203,991</u>	<u>\$ 74,127,149</u>

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Cash and investments were carried at fair value as of June 30, 2012 and consisted of the following:

Cash and cash equivalents in investment pools	\$ 46,661,241
Cash and cash equivalents with fiscal agent	2,134,179
Restricted cash	1,498,094
Investments	21,141,630
Cash in banks	2,690,230
Petty cash	1,775
Total cash and investments	\$ 74,127,149

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

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.

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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, 2012:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Investment pools (LAIF & County)	\$ 46,661,241	\$ -	\$ 46,661,241
Investments:			
United States Treasury Obligations	-	1,024,920	1,024,920
Federal Home Loan Bank	-	4,013,560	4,013,560
Federal National Mortgage Association	1,034,260	8,035,870	9,070,130
Federal Farm Credit Bank Funding Corporation	-	5,007,290	5,007,290
Corporate Bonds	1,033,770	991,960	2,025,730
Held by bond trustee:			
Money market funds	2,134,179	-	2,134,179
	<u>\$ 50,863,450</u>	<u>\$ 19,073,600</u>	<u>\$ 69,937,050</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Disclosures Relating to Credit Risk

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

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Investment pools (LAIF & County)	\$ 46,661,241			Not rated
Investments:				
United States Treasury Obligations	1,024,920	-	AAA	
Federal Home Loan Bank	4,013,560	AA+	Aaa	
Federal National Mortgage Association	9,070,130	AA+	Aaa	
Federal Farm Credit Bank Funding Corporation	5,007,290	AA+	Aaa	
Corporate Bonds	2,025,730	AA+	A1	
Held by bond trustee:				
Money market funds	2,134,179			Not rated
	<u>\$ 69,937,050</u>			

Concentration of Credit Risk

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

Issuer	Investment Type	Amount
Federal Home Loan Bank	U.S. Agency Securities	\$ 4,013,560
Federal National Mortgage Association	U.S. Agency Securities	9,070,130
Federal Farm Credit Bank Funding Corporation	U.S. Agency Securities	5,007,290
General Electric	Corporate Bonds	2,025,730

Custodial Credit Risk

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

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

Investment in State and County Investment Pool

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

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: SUCCESSOR AGENCY TRUST FOR THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the Town of Windsor that previously had reported a redevelopment agency within the reporting entity of the Town as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government. On January 11, 2012, the Town Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of Town resolution number 2870-12.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfer is not contractually committed to a third party for the expenditure or

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encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management of the Town believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the Town are enforceable obligations payable by the successor agency trust under the requirements of the Bill. The Town's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the Town.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the Town. After the date of dissolution, the assets, liabilities and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the Town.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively close of business January 31, 2012) from the governmental funds of the Town to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary gain recognized in the fiduciary fund financial statements.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statement is reconciled as follows:

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 11,647,414
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	4,936,206
Deferred charges recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	431,328
Interest payable (\$66,588) and compensated absences (\$5,629) reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(72,217)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	
Bonds payable	(4,725,000)
Loans payable	(1,953,391)
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the Town)	\$ 10,264,340

NOTE 4: NOTES AND LOANS RECEIVABLE

The former Agency engaged 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 former Agency's terms. Upon dissolution of the Agency effective January 31, 2012, the notes and loans receivable of the former Agency were transferred to the Town as it retained the housing assets and functions of the former Agency.

The balance of notes and loans receivable have been offset in the fund financial statements by deferred revenue as they were not expected to be repaid during the fiscal year June 30, 2012. Management has determined no allowances for bad debt are necessary as of June 30, 2012.

These notes and loans receivable, including interest, comprised the following at June 30, 2012:

	Notes Receivable
Forest Winds Apartments	\$ 547,257
Winter Creek Village Apartments	1,023,053
Vinecrest	1,004,478
Windsor Redwoods	2,252,479
Twin Oaks	125,000
Manzanita Self-help	750,000
	5,702,267
Reserve for Manzanita Self-help	(750,000)
Total	\$ 4,952,267

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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 accrues 3% simple interest for 30 years with all principal and interest payments deferred for the life of the loan. Accrued interest which was included in the loan balance at June 30, 2012 totaled \$207,257.

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 is accrues 3% simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest which was included in the loan balance at June 30, 2012 totaled \$106,080.

C. Vinecrest Note Receivable

In January 1997, the former Agency made payments to the Burbank Housing Development Corporation for the development costs of an affordable housing project (Vinecrest Housing Project). The loan accrues interest at 3% simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest which was included in the loan balance at June 30, 2012 totaled \$316,478.

D. Windsor Redwoods Receivable

In March 2010, the former Agency entered into agreements with Windsor Redwoods, L.P. (a project of the Burbank Housing Development Corporation) to assist in the development of a 65-unit multi-family housing development for low and very low income households. The total amount loaned as of June 30, 2012, was \$2,252,479. All outstanding principal, and interest if any, is due 55 years from the date of the loan. The loan does not accrue interest, except in the event of default, as defined in the agreements. Annual payments are due in an amount equal to 75% of the residual receipts, as defined in the loan agreement. Such annual payments are due in arrears, commencing November 1, 2012.

E. Twin Oaks Notes Receivable

In July 2002, the former Agency sold three town-homes 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 former Agency sold one of the properties with a balance of \$75,000 in the form of a note, and in August 2008, the former Agency sold the remaining property with a balance of \$50,000. Upon sale of the property, the Town 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 note represents as a portion of the original sales price.

TOWN OF WINDSOR
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F. Manzanita Self-Help

In April 2009, the former Agency entered into an agreement with Burbank to assist in the development of a 22-unit self-help housing project (Manzanita), whereby the former Agency agreed to loan Burbank up to \$4.6 million. Burbank had agreed to sell the units to lower income households because of certain California Housing Finance Agency Residential Development Loan Program (RDLP) funds provided to Burbank by the former Agency. The RDLP funds related to the Manzanita project were repaid by Burbank in fiscal 2012. In addition to making the RDLP funds available, in December 2011 the former Agency invested a total of \$750,000 into the development of the 22 units (\$34,091 per unit). The total amount invested as of June 30, 2012 was \$750,000. The agreement places resale controls on the units to require payment of any excess proceeds of sale, as defined, to the former Agency (now the Town, as it has assumed the housing activities of the former Agency). The agreement also provides the Town an option to purchase the unit at a restricted price, as defined. If the owner of the unit has owned the unit for seven years, the owner may sell the unit at any unrestricted price and pay the Town an “investment return”, as defined in the agreement. As any return to the Town is contingent on the resale of the units, the \$750,000 has been fully reserved for as of June 30, 2012.

TOWN OF WINDSOR
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NOTE 5: INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Description of transfer</u>	<u>Amount</u>
Major Governmental Funds			
General Fund	Debt Service Fund	Scheduled debt service	\$ 230,141
General Fund	Water Operating	Scheduled debt service	72,016
General Fund	Lighting & Landscaping Assessment	Cover fund balance deficit	789,457
General Fund	Water Reclamation Operating	Scheduled debt service	72,016
General Fund	Capital Replacement	Replenish fund balance	300,000
RDA Capital Projects	General Fund	Community services event	23,349
Total Major Governmental Interfund Transfers			1,486,979
Non-Major Governmental Funds			
Public Facilities	Water Reclamation Operating	Scheduled debt service	43,209
Public Facilities	Debt Service	Scheduled debt service	154,676
Public Facilities	Water Operating	Scheduled debt service	43,209
RDA Debt Service	Lighting & Landscaping Assessment	Tax increment revenue	3,625
RDA Debt Service	Debt Service	Scheduled debt service	982,421
RDA Debt Service	RDA Capital	Surplus balance	1,000,000
Total Non-Major Governmental Interfund Transfers			2,227,140
Total Governmental Interfund Transfers			3,714,119
Proprietary Funds			
Water Reclamation Operating	General Fund	Facility cost sharing	46,477
Water Reclamation Operating	Debt Service	Scheduled debt service	57,473
Water Reclamation Operating	Water Reclamation Capital Replacement	Funding of capital purchases	1,600,000
Water Reclamation Capital Replacement	Water Reclamation Operating	Scheduled debt service	631,908
Water Reclamation Capital Replacement	Water Reclamation Operating	Capitalize capital expenses	1,674,494
Water Reclamation Capital	Water Reclamation Operating	Capitalize capital expenses	493,731
Water Operating	Water Capital Replacement	Funding of capital purchases	750,000
Water Operating	General Fund	Facility cost sharing	48,448
Water Operating	Debt Service	Scheduled debt service	57,473
Water Capital Replacement	Water Operating	Capitalize capital expenses	113,947
Water Capital	Water Operating	Capitalize capital expenses	58,493
Water Capital	Water Operating	Scheduled debt service	93,620
Total Proprietary Interfund Transfers			5,626,064
Fiduciary Funds			
Successor Agency - Capital	Successor Agency - Debt	Scheduled debt service	626,044
Total Proprietary Interfund Transfers			626,044
Total Interfund Transfers			\$ 9,966,227

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6: CAPITAL ASSETS

Governmental activities:

	Balance at June 30, 2011	Additions	Retirements /Transfers	Transfer to Successor Agency	Balance at June 30, 2012
Capital assets not being depreciated					
Land	\$ 32,310,417	\$ -	\$ -	\$ (2,236,279)	\$ 30,074,138
Rights of way	407	-	-	-	407
Construction-in-progress	20,765,745	2,300,466	(20,250,014)	(918,298)	1,897,899
Total capital assets not being depreciated	53,076,569	2,300,466	(20,250,014)	(3,154,577)	31,972,444
Capital assets being depreciated					
Buildings	7,253,229	132,419	-	(330,000)	7,055,648
Improvements other than buildings	14,804,225	-	190,286	(2,522,914)	12,471,597
Equipment and machinery	1,069,705	9,935	-	-	1,079,640
Infrastructure	120,834,233	19,522,080	(190,286)	-	140,166,027
Vehicles	652,065	126,844	-	-	778,909
Total capital assets being depreciated	144,613,457	19,791,278	-	(2,852,914)	161,551,821
Less accumulated depreciation					
Buildings	(2,219,202)	(141,987)	-	73,150	(2,288,039)
Improvements other than buildings	(7,129,314)	(578,675)	-	998,135	(6,709,854)
Equipment and machinery	(970,797)	(43,711)	-	-	(1,014,508)
Infrastructure	(43,101,535)	(2,828,826)	-	-	(45,930,361)
Vehicles	(538,233)	(38,451)	-	-	(576,684)
Total accumulated depreciation	(53,959,081)	(3,631,650)	-	1,071,285	(56,519,446)
Total capital assets, net	\$ 143,730,945	\$ 18,460,094	\$ (20,250,014)	\$ (4,936,206)	\$ 137,004,819

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

Governmental Activities:

General administration	\$ 360,137
Public safety	12,715
Public works	576,442
Community development and recreation	72,713
Parks	519,359
Streets and roads	2,090,284
Total governmental activities depreciation expense	\$ 3,631,650

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Business-type activities:

	Balance at June 30, 2011	Additions	Retirements /Transfers	Balance at June 30, 2012
Water Fund:				
Capital assets not being depreciated				
Land	\$ 628,586	\$ -	\$ -	\$ 628,586
Construction-in-progress	979,542	116,654	(61,063)	1,035,133
Total capital assets not being depreciated	<u>1,608,128</u>	<u>116,654</u>	<u>(61,063)</u>	<u>1,663,719</u>
Capital assets being depreciated				
Infrastructure (utility systems)	35,814,746	116,849	-	35,931,595
Equipment and machinery	904,401	52,476	-	956,877
Vehicles	712,183	-	-	712,183
Total capital assets being depreciated	<u>37,431,330</u>	<u>169,325</u>	<u>-</u>	<u>37,600,655</u>
Less accumulated depreciation				
Infrastructure (utility systems)	(14,770,405)	(972,159)	-	(15,742,564)
Equipment and machinery	(811,599)	(22,847)	-	(834,446)
Vehicles	(589,607)	(57,164)	-	(646,771)
Total accumulated depreciation	<u>(16,171,611)</u>	<u>(1,052,170)</u>	<u>-</u>	<u>(17,223,781)</u>
Total capital assets, net	<u>\$ 22,867,847</u>	<u>\$ (766,191)</u>	<u>\$ (61,063)</u>	<u>\$ 22,040,593</u>
	Balance at June 30, 2011	Additions	Retirements /Transfers	Balance at June 30, 2012
Water Reclamation Fund:				
Capital assets not being depreciated				
Land	\$ 6,265,121	\$ -	\$ -	\$ 6,265,121
Construction-in-progress	11,244,868	1,545,413	(7,261,703)	5,528,578
Total capital assets not being depreciated	<u>17,509,989</u>	<u>1,545,413</u>	<u>(7,261,703)</u>	<u>11,793,699</u>
Capital assets being depreciated				
Infrastructure (utility systems)	65,267,917	7,901,395	-	73,169,312
Equipment and machinery	3,029,943	5,322	-	3,035,265
Vehicles	844,670	-	-	844,670
Total capital assets being depreciated	<u>69,142,530</u>	<u>7,906,717</u>	<u>-</u>	<u>77,049,247</u>
Less accumulated depreciation				
Infrastructure (utility systems)	(25,364,119)	(1,768,925)	-	(27,133,044)
Equipment and machinery	(2,928,901)	(25,967)	-	(2,954,868)
Vehicles	(741,577)	(36,732)	-	(778,309)
Total accumulated depreciation	<u>(29,034,597)</u>	<u>(1,831,624)</u>	<u>-</u>	<u>(30,866,221)</u>
Total capital assets, net	<u>\$ 57,617,922</u>	<u>\$ 7,620,506</u>	<u>\$ (7,261,703)</u>	<u>\$ 57,976,725</u>

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

Water Fund	\$ 1,052,170
Water Reclamation fund	<u>1,831,624</u>
 Total business-type activities depreciation expense	 <u><u>\$ 2,883,794</u></u>

Fiduciary activities:

	Balance at June 30, 2011	Transfers	Additions	Retirements	Balance at June 30, 2012
Capital assets not being depreciated					
Land	\$ -	\$ 2,236,279	\$ -	\$ -	\$ 2,236,279
Construction-in-progress	-	219,840	20,670	(150,261)	90,249
Total capital assets not being depreciated	-	2,456,119	20,670	(150,261)	2,326,528
Capital assets being depreciated					
Buildings	-	256,850	-	-	256,850
Improvements other than buildings	-	2,223,237	150,261	-	2,373,498
Total capital assets being depreciated	-	2,480,087	150,261	-	2,630,348
Less accumulated depreciation					
Buildings	-	-	(2,140)	-	(2,140)
Improvements other than buildings	-	-	(24,724)	-	(24,724)
Total accumulated depreciation	-	-	(26,864)	-	(26,864)
Total capital assets, net	\$ -	\$ 4,936,206	\$ 144,067	\$ (150,261)	\$ 4,930,012

Total fiduciary activities depreciation expense was \$26,864.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7: LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term liabilities for the fiscal year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Retirements	Transfer to Successor Agency	Balance at June 30, 2012	Current Portion
Governmental activities:						
Compensated absences	\$ 260,171	\$ 64,371	\$ (50,527)	\$ (5,629)	\$ 268,386	\$ 26,195
Tax allocation bonds	5,100,000	-	(375,000)	(4,725,000)	-	-
Revenue bonds	12,730,000	4,823,400	(5,595,000)	-	11,958,400	1,001,700
CAL HFA Loans Payable	3,933,958	91,500	(2,072,067)	(1,953,391)	-	-
Total Governmental Activities	\$ 22,024,129	\$ 4,979,271	\$ (8,092,594)	\$ (6,684,020)	\$ 12,226,786	\$ 1,027,895
Business-type activities:						
Water Fund:						
Compensated absences	\$ 115,249	\$ 4,324	\$ -	\$ -	\$ 119,573	\$ 16,494
Due to fiscal agent	-	167,500	-	-	167,500	167,500
Revenue bonds	4,057,500	3,790,000	(4,057,500)	-	3,790,000	-
SDWSRF loan payable	604,250	-	(11,734)	-	592,516	-
	4,776,999	3,961,824	(4,069,234)	-	4,669,589	183,994
Water Reclamation Fund						
State Revolving Fund	5,513,057	-	(432,661)	-	5,080,396	445,211
Compensated absences	118,815	-	(2,840)	-	115,975	10,472
Due to fiscal agent	-	167,500	-	-	167,500	167,500
Revenue bonds	4,482,500	3,790,000	(4,267,500)	-	4,005,000	215,000
General obligation bonds	51,000	-	(6,000)	-	45,000	7,000
	10,165,372	3,957,500	(4,709,001)	-	9,413,871	845,183
Total Business-type Activities	\$ 14,942,371	\$ 7,919,324	\$ (8,778,235)	\$ -	\$ 14,083,460	\$ 1,029,177
Fiduciary activities:						
Tax allocation bonds	\$ -	\$ 4,725,000	\$ -	\$ -	\$ 4,725,000	\$ 385,000
Compensated absences	-	5,629	-	(3,821)	1,808	-
CAL HFA Loans Payable	-	1,953,391	-	(653,391)	1,300,000	-
Total Fiduciary Activities	\$ -	\$ 6,684,020	\$ -	\$ (657,212)	\$ 6,026,808	\$ 385,000

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

A description of the long-term liabilities related to governmental activities at June 30, 2012 follows:

A. Governmental Activities

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 bond varies between 3.2 and 5.4 percent with a final maturity in 2024.

In March of 2012, the Series 2001A Lease Revenue Bonds were advance refunded by the issuance of \$4,823,400 of Series 2012A Lease Revenue Bonds. The advance refunding met the requirements of an in-substance debt defeasance, and the Series 2001A bonds were removed from the Town's long-term liabilities portfolio. The 2012A Lease Revenue Bonds are secured by the same collateral as the Series 2001A Lease Revenue Bonds. Bond principal is due April 1 and October 1 of each year beginning October 2012 and the bonds mature on October 1, 2024. Interest is payable on April 1 and Oct 1 of each year. Interest on the bond is 2.38 percent with a final maturity in 2024. The outstanding principal balance of the bonds at June 30, 2012 was \$4,823,400.

On August 14, 2008, the Agency issued \$8,400,000 of Lease Revenue Bonds (Series 2008) to (1) finance a new fire station and related facilities, (2) fund the Reserve fund requirement, (3) fund a deposit to the Interest fund representing capitalized interest on the bonds through April 1, 2011, and (4) to pay the costs of issuance relating to the bonds. The bonds were issued pursuant to a trust agreement by and between the Windsor Joint Powers Authority. The bonds were issued at a discount of \$6,730, and issuance costs were \$152,650. Principal is payable on October 1 each year through 2020, beginning in 2008. Interest is payable on October 1 and April 1 of each year through April 2020. The bonds are secured by a pledge of revenues which consist of base rental payments paid by or for the benefit of the Town and received by the Authority pursuant to a Facility Lease. The outstanding principal balance of the 2008 bonds at June 30, 2012 was \$7,135,000.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of \$747,808 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, 2012 was \$30,999.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Governmental Activities Long-Term Liabilities Bond Amortization:

2012A Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 337,100	\$ 113,124	\$ 450,224
2014	346,100	104,727	450,827
2015	354,100	96,442	450,542
2016	361,700	87,970	449,670
2017	368,500	79,321	447,821
2018-2022	1,980,300	259,851	2,240,151
2023-2025	<u>1,075,600</u>	<u>38,679</u>	<u>1,114,279</u>
Total	<u>\$ 4,823,400</u>	<u>\$ 780,114</u>	<u>\$ 5,603,514</u>

2008 Lease Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 670,000	\$ 298,221	\$ 968,221
2014	695,000	270,921	965,921
2015	725,000	242,521	967,521
2016	755,000	211,411	966,411
2017	785,000	177,531	962,531
2018-2021	<u>3,505,000</u>	<u>332,193</u>	<u>3,837,193</u>
Total	<u>\$ 7,135,000</u>	<u>\$ 1,532,798</u>	<u>\$ 8,667,798</u>

TOTAL GOVERNMENT ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 1,007,100	\$ 411,345	\$ 1,418,445
2014	1,041,100	375,648	1,416,748
2015	1,079,100	338,963	1,418,063
2016	1,116,700	299,381	1,416,081
2017	1,153,500	256,852	1,410,352
2018-2022	5,485,300	592,044	6,077,344
2022-2026	<u>1,075,600</u>	<u>38,679</u>	<u>1,114,279</u>
Total	<u>\$ 11,958,400</u>	<u>\$ 2,312,912</u>	<u>\$ 14,271,312</u>

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Business-type Activities

General Obligation Bonds

Three issues of general obligation bonds (Sewer bonds) have been issued by the Windsor Water District. These bonds were issued in 1971 (2 issues) and in 1978, have an annual interest rate of 5%.

The Water Reclamation Enterprise Fund receives property tax revenues to service the general obligation bonds. The outstanding principal balance of the general obligation bonds at June 30, 2012 was \$45,000.

Revenue Bonds

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

In March of 2012, the Series 2002B Revenue Bonds were advance refunded by the issuance of \$7,580,000 of Series 2012D Revenue Bonds. The advance refunding met the requirements of an in-substance debt defeasance, and the Series 2002B bonds were removed from the Town's long-term liabilities portfolio. The 2012D Revenue Bonds are secured by the same collateral as the Series 2002B Lease Revenue Bonds. Bond principal is due April 1 and October 1 of each year beginning October 2012 and the bonds mature on October 1, 2027. Interest is payable on April 1 and Oct 1 of each year. Interest on the bond is 2.38 percent with a final maturity in 2027. The outstanding principal balance of the bonds at June 30, 2012 was \$7,580,000. In addition, the Town has an outstanding obligation to the fiscal agent of \$335,000 at June 30, 2012.

On December 15, 2004, the Town of Windsor issued through the California Statewide Communities Development Authority \$1,585,000 of 2004C Water and Wastewater Revenue bonds. These bonds, along with cash reserves from the 1994A Revenue bonds, were used to pay issue costs and refund the outstanding balance of the 1994A Revenue bonds in the amount of \$1,745,000 plus a 2% call premium of \$34,900. Bond principal payments are due in annual installments each October 1 beginning in 2005 with final maturity in 2012. Interest payments are due semi-annually each April 1 and October 1 with rates ranging from 2.00% to 3.75%. The Water Reclamation net revenues are pledged as security for the bonds. The outstanding balance of the bonds as of June 30, 2012, was \$215,000.

State Revolving Fund Loan

On September 15, 1999, the Town contracted with the State Water Resources Control Board (SWRCB) to borrow \$8,777,801 in the form of grants from the State Revolving Fund (SRF) Loan Program. The loan was issued to help finance stages 2 and 3 of the Wastewater Treatment and Expansion project and is recorded in the Town's Water Reclamation Fund. Interest, accrued at 2.0%, 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, 2012, the outstanding principal balance of the loan was \$5,080,396.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Safe Drinking Water State Revolving Fund (SDWSRF) Loan Payable

In July 2009, the Town was awarded funding under the Safe Drinking Water State Revolving Fund (SDWSRF) and the American Recovery and Reinvestment Act. The purpose of the funding is to assist in financing construction of a project which will enable the Town to meet safe drinking water standards. The total amount of the loan was \$1,154,888. Pursuant to the funding agreement, the State agreed to provide additional subsidization in the form of forgiveness of principal of 50%. The outstanding balance as of June 30, 2012 was \$592,516. The term of the loan is 20 years and the loan accrues interest at 2.5017%. Payments are due each March 1 and September 1.

Deferred Charges

Capitalized bond costs related to the Business-type long term liabilities have been recorded as deferred issuance costs in the amount of \$251,833 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, 2012 was \$111,503.

Business-type Long-Term Liabilities Bond Amortization

General Obligation Bonds			
For the Year Ending June 30	Principal	Interest	Total
2013	\$ 7,000	\$ 2,250	\$ 9,250
2014	7,000	1,900	8,900
2015	7,000	1,550	8,550
2016	8,000	1,200	9,200
2017	8,000	800	8,800
2018	8,000	400	8,400
Total	\$ 45,000	\$ 8,100	\$ 53,100

2012D Revenue Bonds			
For the Year Ending June 30	Principal	Interest	Total
2013	\$ -	\$ 192,948	\$ 192,948
2014	405,000	244,026	649,026
2015	415,000	235,826	650,826
2016	420,000	225,376	645,376
2017	435,000	212,550	647,550
2018-2022	2,410,000	819,770	3,229,770
2023-2027	2,860,000	356,302	3,216,302
2028	635,000	11,112	646,112
Total	\$ 7,580,000	\$ 2,297,910	\$ 9,877,910

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2004 C Revenue Bonds

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 215,000	\$ 3,655	\$ 218,655
Total	\$ 215,000	\$ 3,655	\$ 218,655

State Revolving Fund Loan

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 445,211	\$ 147,331	\$ 592,542
2014	458,121	134,421	592,542
2015	471,407	121,135	592,542
2016	485,078	107,464	592,542
2017	499,145	93,397	592,542
2018-2022	2,721,434	241,275	2,962,709
Total	\$ 5,080,396	\$ 845,023	\$ 5,925,419

SDWSRF Loan Payable

For the Year Ending June 30	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014	11,879	14,970	26,849
2015	24,208	14,375	38,583
2016	24,817	13,766	38,583
2017	25,442	13,141	38,583
2018-2022	137,145	55,771	192,916
2023-2027	155,299	37,617	192,916
2028-2032	175,855	17,061	192,916
2033	37,871	712	38,583
Total	\$ 592,516	\$ 167,413	\$ 759,929

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

TOTAL BUSINESS TYPE ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 667,211	\$ 346,184	\$ 1,013,395
2014	882,000	395,317	1,277,317
2015	917,615	372,886	1,290,501
2016	937,895	347,806	1,285,701
2017	967,587	319,888	1,287,475
2018-2022	5,276,579	1,117,216	6,393,795
2023-2027	3,015,299	393,919	3,409,218
2028-2032	810,855	28,173	839,028
2033	37,871	712	38,583
Total	\$ 13,512,912	\$ 3,322,101	\$ 16,835,013

C. Fiduciary Activities

Tax Allocation Bonds - Series 1998

On December 3, 1998 the former Agency issued \$4,480,000 of Tax Allocation bonds (Series 1998) to (1) finance acquisition and construction of a downtown park project in the Town of Windsor, (2) establish a reserve fund for the bonds, (3) capitalize a portion of the interest on the bonds, and (4) pay the cost of issuing the bonds. The bonds were issued at a discount of \$34,213 and issuance costs were \$195,180. Interest on the 1998 bonds is payable on September 1 and March 1 of each year through September 1, 2024, beginning on September 1, 2000. Interest rates on the bonds vary between 3.50 and 4.875 percent. The bonds are secured by a first pledge of and a lien on all of the pledged tax revenues. On January 31, 2012, this bond was transferred to the Successor Agency and is included in fiduciary activities as of June 30, 2012. The outstanding principal balance of the 1998 bonds at June 30, 2012 was \$1,125,000.

Tax Allocation Bonds - Series 2004

On October 7, 2004, the former Agency issued \$5,020,000 of Tax Allocation Bonds (Series 2004) to (1) finance acquisition and construction of certain activities in the project area, (2) refund the Agency's 1994 Tax Allocation Bonds in the amount of \$3,925,000, and (3) pay the cost of issuing the bonds. The bonds were issued at a discount of \$41,534, and issuance costs were \$159,518. Principal is payable on September 1 each year through 2024, beginning in 2005. Interest is payable on September 1 and March 1 of each year through September 2024. Interest rates on the bonds vary between 2.00 and 4.60 percent. The bonds are secured by a first pledge of and a lien on all the pledged tax revenues. On January 31, 2012, this bond was transferred to the Successor Agency and is included in fiduciary activities as of June 30, 2012. The outstanding principal balance of the 2004 bonds at June 30, 2012 was \$3,600,000.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

CAL HFA Loans Payable

In January 2007, the Agency entered into a loan agreement with the California Housing Finance Agency (Cal HFA) for \$1,300,000. Interest payable on the loan is 3.5% simple per annum and only charged on the loan amount disbursed. On January 31, 2012, this bond was transferred to the Successor Agency. As of June 30, 2012, the outstanding amount of the loan payable was \$1,300,000. Payment is deferred for the term of the loan which expires February 2017.

In October 2008, the Agency entered into a residential development agreement with the California Housing Finance Agency (Cal HFA) for a total loan commitment of \$4,600,000. Interest payable on the loan is 3% simple per annum and only charged on the amount disbursed. On January 31, 2012, this bond was transferred to the Successor Agency. As of June 30, 2012, the outstanding amount of the loan payable was paid off.

Fiduciary Activities Long-Term Liabilities Bond Amortization:

1998 Tax Allocation Bonds			
For the Year Ending June 30	Principal	Interest	Total
2013	\$ 165,000	\$ 49,525	\$ 214,525
2014	175,000	41,787	216,787
2015	125,000	34,762	159,762
2016	125,000	28,763	153,763
2017	135,000	22,523	157,523
2018-2022	340,000	37,560	377,560
2023-2025	60,000	4,338	64,338
Total	\$ 1,125,000	\$ 219,258	\$ 1,344,258

2004 Tax Allocation Bonds			
For the Year Ending June 30	Principal	Interest	Total
2013	\$ 220,000	\$ 143,063	\$ 363,063
2014	230,000	135,745	365,745
2015	235,000	127,839	362,839
2016	245,000	119,375	364,375
2017	250,000	110,278	30,278
2018-2022	1,410,000	387,775	1,797,775
2023-2026	1,010,000	69,525	1,079,525
Total	\$ 3,600,000	\$ 1,093,600	\$ 4,693,600

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

TOTAL FIDUCIARY ACTIVITIES

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 385,000	\$ 192,588	\$ 577,588
2014	405,000	177,532	582,532
2015	360,000	162,601	522,601
2016	370,000	148,138	518,138
2017	385,000	132,801	517,801
2018-2022	1,750,000	425,335	2,175,335
2023-2026	<u>1,070,000</u>	<u>73,863</u>	<u>1,143,863</u>
Total	<u>\$ 4,725,000</u>	<u>\$ 1,312,858</u>	<u>\$ 6,037,858</u>

NOTE 8: SPECIAL ASSESSMENT DISTRICTS

On September 29, 2004, the Town of Windsor issued \$5,210,000 of Limited Obligation Improvement Bonds for the Mitchell/Shiloh/Conde Assessment District. These bonds have been issued pursuant to the provisions of the Improvement Bond Acts of 1915. The bonds are issued and secured by the unpaid special assessments levied on parcels within the District. The proceeds are to be used to finance a portion of the cost and expense of roadway improvements and related appurtenant work. Neither the full faith and credit nor the taxing power of the Town is pledged to the payment of the bonds. Consequently, the Town has no liability to advance funds to pay bond principals and interest. As of June 30, 2012, the outstanding principal amount of the bonds was \$4,250,000. The bonds mature in September 2034.

NOTE 9: OPERATING LEASES

The Town has commitments to lease certain office equipment. The total rent expense as of June 30, 2012 was \$32,580. Future minimum rental commitments for equipment operating leases as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 33,924
2014	15,168
2015	10,560
2016	1,344
2017	<u>1,344</u>
Total	<u>\$ 62,340</u>

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Plan Description

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

Funding Policy

Participants are required to contribute 7.0% of their annual covered salary which is paid for by the Town. The Town is required to contribute an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2012 was 12.259% and was based on a lump sum prepayment to PERS for miscellaneous employees. Benefit provisions and all other requirements are established by State statute and Town contracts with employee bargaining groups.

Annual Pension Cost

For the fiscal year ended June 30, 2012, the Town's annual pension cost (employer contribution) of \$967,697 for miscellaneous employees was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

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

Three Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 735,332	100%	-
2011	\$ 795,843	100%	-
2012	\$ 967,697	100%	-

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

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11: OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Description of the Plan

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

For the year ended June 30, 2012, the Town had 13 retired employees. The Town currently has 85 active employees who may become eligible to retire and receive benefits in the future. Eligibility requirements include service retirement (50 and 5 years CalPERS service) or disability retirement directly from the Town under CalPERS, and ten years of Town service.

Funding Policy

Other than the two former Water District board members mentioned above, the Town does not provide funding for retirees; retirees are provided the option to obtain Blue Cross or Kaiser health insurance through the Town's current policy at their own expense. This is referred to as an "implicit subsidy." With an implicit subsidy, participating retirees pay lower rates than actual costs. The difference is made up from active employee premiums. There is no implied subsidy after age 65 as all retirees are assumed eligible for Medicare. As of June 30, 2012, the Town is currently funding the benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2012, the Town's annual cost for the healthcare plan was \$99,169. The Town's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2012 were as follows:

Annual required contribution	
Service cost	\$ 84,169
30-year amortization of unfunded liability	22,000
Interest	6,000
Amortization of net OPEB obligation	<u>(13,000)</u>
Total annual required contribution	99,169
Employer contributions	(23,000)
Net pension obligation at July 1, 2011	<u>116,831</u>
Net pension obligation at June 30, 2012	<u><u>\$ 193,000</u></u>

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
6/30/2010	\$ 69,000	\$ 15,000	22%	\$ 106,000
6/30/2011	\$ 76,233	\$ 65,402	86%	\$ 116,831
6/30/2012	\$ 99,169	\$ 23,000	23%	\$ 193,000

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

Actuarial Methods and Assumptions

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

In the 2012 actuarial valuation, the entry age normal cost method was used. The initial UAAL was amortized as a level percent of payroll over a closed 27-year period, with gains/losses and assumption changes over closed 15 year periods. Age-based claim costs were developed separately for Blue Cross and Kaiser. The actuarial assumptions included a 4.0% discount rate, a 3.25% merit increase, and a 3.0% inflation rate. Predictive retirement age was 59.4 and benefits were calculated at 2% @ 55. Mortality, withdrawal, and disability were based on a CalPERS 1997-2007 experience study.

NOTE 12: FUND BALANCE

The Town has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(normally the governing body) and that remain binding unless removed in the same manner. The Town Council is considered the highest authority for the Town and can commit funds through resolutions.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Town Council has the authority to assign funds in Windsor and can assign funds through the budgetary process.

Unassigned: This category is for any balances that have no restrictions placed upon them.

Spending Policy

The Town's policy is to spend restricted fund balances first, before spending unrestricted fund balances, for expenditures incurred for purposes for which both restricted and unrestricted fund balances are available. The Town does not have a formal policy for its use of unrestricted fund balance amounts. The Town will reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

According to the Town Council's fiscal management policy, the required minimum general fund balance is equal to 25% of annual expenditures and transfers out. At June 30, 2012, the amount is \$3,277,198, included in the unassigned balance.

Investment Earnings

Investment earnings follow the classification of the revenues invested.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Fund balances classifications at June 30, 2012 were:

	General Fund	Capital Replacement Fund	Traffic Mitigatin Fund	RDA Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:						
Advances to other funds	\$ 53,332	\$ -	\$ -	\$ -	\$ 1,100,000	\$ 1,153,332
Prepaid expenses	11,911	-	-	-	1,673	13,584
Inventory	45,237	-	-	-	75,086	120,323
Total nonspendable:	110,480	-	-	-	1,176,759	1,287,239
Restricted:						
Strong motion	5,982	-	-	-	-	5,982
Replacing oak trees	18,879	-	-	-	-	18,879
Pool creek maintenance	8,595	-	-	-	-	8,595
Housing	-	-	-	-	368,690	368,690
Gas tax	-	-	-	-	1,078,471	1,078,471
Transportation grant	-	-	-	-	310,184	310,184
Transportation development act	-	-	-	-	37,918	37,918
Mobile home rent stabilization	-	-	-	-	30,455	30,455
Lighting and landscape	-	-	-	-	31,298	31,298
Storm drain maintenance	-	-	-	-	143,003	143,003
Abandoned vehicle abatement	-	-	-	-	46,202	46,202
Public education	-	-	-	-	128,256	128,256
Total Restricted:	33,456	-	-	-	2,174,477	2,207,933
Assigned:						
Capital replacement	-	10,228,068	-	-	-	10,228,068
Asset forfeiture	36,146	-	-	-	-	36,146
Grant special revenue	227,773	-	-	-	-	227,773
Strong motion	71	-	-	-	-	71
Replacing oak trees	146	-	-	-	-	146
Pool creek maintenance	75	-	-	-	-	75
Transportation development act	-	-	-	-	771	771
Mobile home rent stabilization	-	-	-	-	256	256
Lighting and landscape	-	-	-	-	639,553	639,553
Storm drain maintenance	-	-	-	-	737	737
Abandoned vehicle abatement	-	-	-	-	178	178
Public education	-	-	-	-	638	638
Public facilities	-	-	-	-	629,541	629,541
Park development	-	-	-	-	491,075	491,075
Traffic mitigation projects	-	-	479,547	-	-	479,547
Drainage mitigation	-	-	-	-	4,739,373	4,739,373
Fire mitigation	-	-	-	-	472,468	472,468
Debt service	-	-	-	-	3,259,335	3,259,335
Total Assigned:	264,211	10,228,068	479,547	-	10,233,925	21,205,751
Unassigned:	9,530,070	-	-	-	(133,872)	9,396,198
	\$ 9,938,217	\$ 10,228,068	\$ 479,547	\$ -	\$ 13,451,289	\$ 34,097,121

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Redwood Empire Municipal Insurance Fund (“REMIF”). REMIF provides insurance coverage for general liability, property, and workers' compensation claims under the terms of a joint-powers agreement with the Town and several other governmental municipalities. REMIF is governed by a Board of Directors consisting of representatives from the original seven agencies, plus two alternative agency voting members. Windsor is not currently a voting member.

REMIF is self-insured up to \$500,000 per general liability and \$25,000 per property claim and has purchased excess of loss insurance policies providing coverage above the self-insurance limit to a maximum of \$40,000,000. REMIF is self-insured up to \$1,000,000 per workers' compensation claim and has purchased a commercial policy providing statutory benefits in excess of the self-insured limit. The Town has a \$5,000 - \$10,000 deductible per claim for general liability, property and workers' compensation cases. When the deductible is met, the fund becomes responsible for payment of the excess claim.

Audited condensed financial information for REMIF for the fiscal year ended June 30, 2012 was as follows:

Total Assets	\$	18,010,735
Total Liabilities		<u>14,429,297</u>
Net Assets	\$	<u><u>3,581,438</u></u>
Total Revenues	\$	8,854,620
Total Expenses		<u>8,805,881</u>
Change in Net Assets	\$	<u><u>48,739</u></u>

The Town maintains its general liability, property, and workers' compensation insurance costs in the Risk Management Fund, an internal service fund. Payment for insurance claims were recorded as expenditures in the funds in which the liabilities were incurred. In accordance with Governmental Accounting Standards Board Statement No. 10, if the third party administrator, Redwood Empire Municipal Insurance Fund, does not insure the loss occurrence then the Town shall accrue a loss, if probable and reasonably estimable. As of June 30, 2012, the Town has no uninsured occurrences. The Town has not used an actuary in determining the liability reserve if needed. Because the actual claim liabilities depend on such complex factors and inflation and changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims are evaluated periodically to take into account recently settled claims, the frequency of claims and other economic and social factors.

NOTE 14: CONDUIT DEBT OBLIGATION

On August 1, 1995, the Town issued \$4,315,000 in Limited Obligation Bonds to provide financing to LV1 Partners for the development of a 75-unit senior assisted living apartment complex and related facilities. Debt service for the bonds will be paid solely out of the revenues and receipts derived from the project. The bonds do not constitute a debt or pledge of the faith and credit of the Town, and accordingly, will not be reported in the Town's basic financial statements. Credit support is provided by Fannie Mae. At June 30, 2012, the principal balance of the bonds was \$4,015,000.

TOWN OF WINDSOR
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 15: DEFICIT FUND BALANCES

As of June 30, 2012, the Community Development Block Grant Fund had a deficit balance of \$133,872. This deficit will be financed through future revenues of the fund.

NOTE 16: CONTINGENCIES AND COMMITMENTS

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

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

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

NOTE 17: EXCESS OF EXPENDITURES OVER FUND APPROPRIATIONS

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Public Safety	\$ 5,889,746	\$ 5,890,816	\$ (1,070)
Capital Replacement Fund			
Public Safety	43,000	46,551	(3,551)
Capital Outlay	428,000	441,059	(13,059)

The excess expenditures for fiscal 2012 were funded by available financial resources.

NOTE 18: SUBSEQUENT EVENTS

The Town has evaluated subsequent events through January 2, 2013, the date the financial statements were deemed available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINDSOR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	2011-2012		2012 Actual	Variance with
	Budgeted Amounts			
	Original	Final	Amounts	Positive
				(Negative)
<u>REVENUES</u>				
Property taxes	\$ 3,310,600	\$ 3,310,600	\$ 3,610,008	\$ 299,408
Sales taxes	2,876,500	2,876,500	3,297,707	421,207
Other taxes	3,871,500	3,871,500	4,087,463	215,963
Licenses, permits and fees	622,200	622,200	350,566	(271,634)
Fines and forfeitures	33,800	33,800	53,632	19,832
Rental income	4,300	4,300	79,126	74,826
Use of money and property	78,800	78,800	99,091	20,291
Intergovernmental	100,200	100,200	164,163	63,963
Charges for services	682,290	682,290	744,991	62,701
Other revenues	28,200	28,200	64,081	35,881
Total Revenues	11,608,390	11,608,390	12,550,828	942,438
<u>EXPENDITURES</u>				
General administration	1,098,904	1,095,183	1,080,091	15,092
Public safety	5,889,746	5,889,746	5,890,816	(1,070)
Public works	785,491	780,399	682,302	98,097
Community development	2,855,311	2,758,633	2,700,331	58,302
Parks	-	-	-	-
Capital outlay	2,592,790	2,592,790	1,291,621	1,301,169
Total Expenditures	13,222,242	13,116,751	11,645,161	1,471,590
Excess of revenues over expenditures	(1,613,852)	(1,508,361)	905,667	2,414,028
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	118,274	118,274	118,274	-
Transfers out	(1,463,629)	(1,485,723)	(1,463,630)	22,093
Total other financing sources (uses)	(1,345,355)	(1,367,449)	(1,345,356)	22,093
Net change in fund balance	\$ (2,959,207)	\$ (2,875,810)	(439,689)	\$ 2,436,121
Fund balance - July 1, 2011			10,377,906	
Fund balance - June 30, 2012			\$ 9,938,217	

TOWN OF WINDSOR
CAPITAL REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>2011-2012</u> <u>Budgeted Amounts</u>		<u>2012 Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ 104,238	\$ 104,238	\$ 92,043	\$ (12,195)
Total Revenues	<u>104,238</u>	<u>104,238</u>	<u>92,043</u>	<u>(12,195)</u>
<u>EXPENDITURES</u>				
Public safety	43,000	43,000	46,551	(3,551)
Capital outlay	<u>178,000</u>	<u>428,000</u>	<u>441,059</u>	<u>(13,059)</u>
Total Expenditures	<u>221,000</u>	<u>471,000</u>	<u>487,610</u>	<u>(16,610)</u>
Excess of revenues over expenditures	<u>(116,762)</u>	<u>(366,762)</u>	<u>(395,567)</u>	<u>(28,805)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	300,000	300,000	300,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 183,238</u>	<u>\$ (66,762)</u>	<u>(95,567)</u>	<u>\$ (28,805)</u>
Fund balance - July 1, 2011			<u>10,323,635</u>	
Fund balance - June 30, 2012			<u>\$ 10,228,068</u>	

**TOWN OF WINDSOR
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR CaPERS PENSION PLAN

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

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/09**	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.9%	\$ 742,981,488	46.6%
6/30/10**	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
6/30/11**	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
6/30/12**			** Information not available **			

* UAAL - Unfunded actuarial accrued liability

** State Law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members of the Town of Windsor is not required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

**TOWN OF WINDSOR
REQUIRED SUPPLEMENTARY INFORMATION**

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

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
6/30/09	\$ 446,000	\$ -	\$ 446,000	0%	\$ 6,817,000	7%
6/30/12	\$ 507,000	\$ -	\$ 507,000	0%	\$ 6,474,000	8%

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

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

SUPPLEMENTARY INFORMATION

GENERAL FUNDS

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

GENERAL FUNDS

General Fund

This fund is used to account for revenues for the Town's general use.

Asset Forfeiture Fund

This fund is used to account for asset forfeiture revenue received from other government entities.

Strong Motion Fund

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

Grant Special Revenue Fund (Police Grants)

This fund is used to account for grant special revenue and investment income for the Town.

Tree Removal Mitigation Fund

This fund is used to account for developer fees for maintenance and replacement of trees.

Pool Creek Maintenance Fund

This fund is used to account for funds established for the maintenance of Pool Creek at the Greens subdivision.

TOWN OF WINDSOR
GENERAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	General Fund	Asset Forfeiture	Grant Special Revenue Fund - Police	Strong Motion	Tree Removal Mitigation	Pool Creek Maintenance	Total General Funds
<u>ASSETS</u>							
Cash and cash equivalents	\$ 8,312,516	\$ 3,828	\$ 119,006	\$ 3,166	\$ 14,878	\$ 6,214	\$ 8,459,608
Restricted cash and cash equivalents	122,488	80	44,815	305	857	238	168,783
Investments	1,517,774	528	63,747	2,767	3,273	2,210	1,590,299
Accounts receivable	1,114,575	31,700	-	-	-	-	1,146,275
Interest receivable	9,468	10	205	6	17	8	9,714
Advances to other funds	53,332	-	-	-	-	-	53,332
Prepaid expenses	11,911	-	-	-	-	-	11,911
Inventory	45,237	-	-	-	-	-	45,237
Total Assets	\$ 11,187,301	\$ 36,146	\$ 227,773	\$ 6,244	\$ 19,025	\$ 8,670	\$ 11,485,159
<u>LIABILITIES AND FUND BALANCES</u>							
<u>(DEFICITS)</u>							
LIABILITIES							
Accounts payable	\$ 1,252,257	\$ -	\$ -	\$ 191	\$ -	\$ -	\$ 1,252,448
Accrued expenditures	145,476	-	-	-	-	-	145,476
Deferred revenue	100,555	-	-	-	-	-	100,555
Deposits Payable	48,463	-	-	-	-	-	48,463
Total Liabilities	1,546,751	-	-	191	-	-	1,546,942
FUND BALANCES (DEFICITS)							
Nonspendable	110,480	-	-	-	-	-	110,480
Restricted	-	-	-	5,982	18,879	8,595	33,456
Assigned	-	36,146	227,773	71	146	75	264,211
Unassigned	9,530,070	-	-	-	-	-	9,530,070
Total Fund Balances (Deficits)	9,640,550	36,146	227,773	6,053	19,025	8,670	9,938,217
Total Liabilities and Fund Balances (Deficits)	\$ 11,187,301	\$ 36,146	\$ 227,773	\$ 6,244	\$ 19,025	\$ 8,670	\$ 11,485,159

TOWN OF WINDSOR
GENERAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Asset Forfeiture	Grant Special Revenue Fund - Police	Strong Motion	Tree Removal Mitigation	Pool Creek Maintenance	Total General Funds
<u>REVENUES</u>							
Property taxes	\$ 3,610,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,610,008
Sales taxes	3,297,707	-	-	-	-	-	3,297,707
Other taxes	4,087,463	-	-	-	-	-	4,087,463
Licenses, permits and fees	350,566	-	-	-	-	-	350,566
Fines and forfeitures	53,632	-	-	-	-	-	53,632
Rental Income	79,126	-	-	-	-	-	79,126
Investment earnings	96,671	-	2,128	71	146	75	99,091
Intergovernmental	164,121	42	-	-	-	-	164,163
Charges for services	713,291	31,700	-	-	-	-	744,991
Other revenue	64,081	-	-	-	-	-	64,081
Total Revenues	<u>\$ 12,516,666</u>	<u>\$ 31,742</u>	<u>\$ 2,128</u>	<u>\$ 71</u>	<u>\$ 146</u>	<u>\$ 75</u>	<u>\$ 12,550,828</u>
<u>EXPENDITURES</u>							
General administration	\$ 1,080,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,080,091
Public safety	5,890,816	-	-	-	-	-	5,890,816
Public works	682,302	-	-	-	-	-	682,302
Community development	2,700,331	-	-	-	-	-	2,700,331
Capital outlay	1,291,621	-	-	-	-	-	1,291,621
Total Expenditures	<u>11,645,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,645,161</u>
Excess (deficiency) of revenues over expenditures	<u>871,505</u>	<u>31,742</u>	<u>2,128</u>	<u>71</u>	<u>146</u>	<u>75</u>	<u>905,667</u>
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	118,274	-	-	-	-	-	118,274
Transfers out	(1,463,630)	-	-	-	-	-	(1,463,630)
Total other financing sources (uses)	<u>(1,345,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,356)</u>
Net change in fund balance	(473,851)	31,742	2,128	71	146	75	(439,689)
Fund balances (deficits) - July 1, 2011	10,114,401	4,404	225,645	5,982	18,879	8,595	10,377,906
Fund balances (deficits) - June 30, 2012	<u>\$ 9,640,550</u>	<u>\$ 36,146</u>	<u>\$ 227,773</u>	<u>\$ 6,053</u>	<u>\$ 19,025</u>	<u>\$ 8,670</u>	<u>\$ 9,938,217</u>

NON-MAJOR GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS

Gas Tax Fund

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

Transportation Grant Fund

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

Transportation Development Act Fund

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

Mobile Home Rent Stabilization Fund

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

Lighting and Landscaping Assessment Fund

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

Lighting and Landscaping Assessment Fund No.2

This fund is used to account for assessment fees to operate and maintain lighting and landscaping for the Shiloh Oaks development and a new general park supplemental zone.

1982 Benefits Assessment District Fund

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

Abandoned Vehicle Abatement Fund

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

Public Education and Government Grant Fund

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

Community Development Block Grant Fund

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

Public Facilities Fund

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

Redevelopment Agency Low and Moderate Income Housing Fund

This fund was used to account for the required 20% set aside of property tax revenue to fund low and moderate income housing projects. The fund was dissolved as of January 31, 2012.

Housing Fund

This fund is used to account for housing assets transferred from the former Agency.

CAPITAL PROJECT FUNDS

Park Development

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

Drainage Mitigation

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

Fire Mitigation

This fund is used to account for the fire impact fees which were established to mitigate the impact caused by future development in the Town.

DEBT SERVICE FUNDS

Debt Service

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

Redevelopment Agency Debt Service

This fund was used to account for property tax revenue used for the debt service activities of the former Redevelopment Agency of the Town of Windsor. The fund was dissolved as of January 31, 2012.

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Lighting and Landscape Assessment #2
<u>ASSETS</u>						
Cash and cash equivalents	\$ 918,712	\$ 370,123	\$ 67,288	\$ 21,109	\$ 432,072	\$ 21,309
Restricted cash and cash equivalents	15,303	-	1,303	1,748	30,012	-
Investments	159,078	(741)	23,345	8,561	284,450	179
Accounts receivable	42,915	232,500	-	-	30,869	10,753
Interest receivable	978	-	85	28	779	10
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Inventory	68,038	-	-	-	-	-
Notes receivable, net	-	-	-	-	-	-
Total Assets	\$ 1,205,024	\$ 601,882	\$ 92,021	\$ 31,446	\$ 778,182	\$ 32,251
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>						
LIABILITIES						
Accounts payable	\$ 42,538	\$ 59,198	\$ -	\$ 735	\$ 118,685	\$ 669
Accrued expenditures	15,977	-	-	-	19,944	284
Deferred revenue	-	232,500	-	-	-	-
Advanced from other funds	-	-	53,332	-	-	-
Total Liabilities	58,515	291,698	53,332	735	138,629	953
FUND BALANCES (DEFICITS)						
Nonspendable	68,038	-	-	-	-	-
Restricted	1,078,471	310,184	37,918	30,455	-	31,298
Assigned	-	-	771	256	639,553	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	1,146,509	310,184	38,689	30,711	639,553	31,298
Total Liabilities and Fund Balances (Deficits)	\$ 1,205,024	\$ 601,882	\$ 92,021	\$ 31,446	\$ 778,182	\$ 32,251

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	1982 Benefits Assessment District	Abandoned Vehicle Abatement	Public Education and Government Grant	Community Development Block Grant	Public Facilities	RDA - Debt Service
<u>ASSETS</u>						
Cash and cash equivalents	\$ 128,931	\$ 46,366	\$ 102,518	\$ (336,741)	\$ 628,427	\$ -
Restricted cash and cash equivalents	-	-	1,174	-	-	-
Investments	164	-	12,749	(109)	551	-
Accounts receivable	15,012	40	14,009	413,914	-	-
Interest receivable	117	-	83	-	563	-
Advances to other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Inventory	-	-	-	-	7,048	-
Notes receivable, net	-	-	-	-	-	-
Total Assets	\$ 144,224	\$ 46,406	\$ 130,533	\$ 77,064	\$ 636,589	\$ -
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>						
LIABILITIES						
Accounts payable	\$ 484	\$ 26	\$ 1,242	\$ 210,936	\$ -	\$ -
Accrued expenditures	-	-	397	-	-	-
Deferred revenue	-	-	-	-	-	-
Advanced from other funds	-	-	-	-	-	-
Total Liabilities	484	26	1,639	210,936	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	7,048	-
Restricted	143,003	46,202	128,256	-	-	-
Assigned	737	178	638	-	629,541	-
Unassigned	-	-	-	(133,872)	-	-
Total Fund Balances (Deficits)	143,740	46,380	128,894	(133,872)	636,589	-
Total Liabilities and Fund Balances (Deficits)	\$ 144,224	\$ 46,406	\$ 130,533	\$ 77,064	\$ 636,589	\$ -

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	RDA Low and Moderate Income Housing	Housing Fund	Park Development	Drainage Mitigation	Fire Mitigation	Debt Service	Total Non-major Governmental Funds
<u>ASSETS</u>							
Cash and cash equivalents	\$ -	\$ 368,690	\$ (1,145,529)	\$ 965,097	\$ 472,041	\$ (1,940,991)	\$ 1,119,422
Restricted cash and cash equivalents	-	-	169,850	498,441	-	1,905,433	2,623,264
Investments	-	-	1,468,156	3,654,858	-	3,291,916	8,903,157
Accounts receivable	-	-	-	-	-	-	760,012
Interest receivable	-	-	434	4,724	427	2,977	11,205
Advances to other funds	-	-	-	1,100,000	-	-	1,100,000
Prepaid expenses	-	-	-	-	-	1,673	1,673
Inventory	-	-	-	-	-	-	75,086
Notes receivable, net	-	4,952,267	-	-	-	-	4,952,267
Total Assets	\$ -	\$ 5,320,957	\$ 492,911	\$ 6,223,120	\$ 472,468	\$ 3,261,008	\$ 19,546,086
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 845	\$ 377,646	\$ -	\$ -	\$ 813,004
Accrued expenditures	-	-	991	6,101	-	-	43,694
Deferred revenue	-	4,952,267	-	-	-	-	5,184,767
Advanced from other funds	-	-	-	-	-	-	53,332
Total Liabilities	-	4,952,267	1,836	383,747	-	-	6,094,797
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	1,100,000	-	1,673	1,176,759
Restricted	-	368,690	-	-	-	-	2,174,477
Assigned	-	-	491,075	4,739,373	472,468	3,259,335	10,233,925
Unassigned	-	-	-	-	-	-	(133,872)
Total Fund Balances (Deficits)	-	368,690	491,075	5,839,373	472,468	3,261,008	13,451,289
Total Liabilities and Fund Balances (Deficits)	\$ -	\$ 5,320,957	\$ 492,911	\$ 6,223,120	\$ 472,468	\$ 3,261,008	\$ 19,546,086

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Gas Tax	Transportation Grant Fund	Transportation Development Act	Mobile Home Rent Stabilization	Lighting and Landscape Assessment	Lighting and Landscape Assessment #2
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	1,262	\$ -
Other Taxes	-	-	-	-	870,354	38,188
Licenses, permits and fees	-	-	-	13,512	-	-
Investment earnings	8,346	-	771	256	25,447	231
Intergovernmental	784,971	407,644	869,950	-	-	-
Charges for services	-	-	-	-	-	-
Other revenue	6,728	-	-	-	2,935	-
Total Revenues	<u>800,045</u>	<u>407,644</u>	<u>870,721</u>	<u>13,768</u>	<u>899,998</u>	<u>38,419</u>
EXPENDITURES						
General administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	1,532,963	-
Community development	-	-	-	-	-	26,559
Streets and Roads	830,217	52,616	872,820	-	-	-
Drainage	-	-	-	-	-	-
Housing	-	-	-	2,079	-	-
Capital outlay	1,754	400,720	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>831,971</u>	<u>453,336</u>	<u>872,820</u>	<u>2,079</u>	<u>1,532,963</u>	<u>26,559</u>
Excess (deficiency) of revenues over expenditures	<u>(31,926)</u>	<u>(45,692)</u>	<u>(2,099)</u>	<u>11,689</u>	<u>(632,965)</u>	<u>11,860</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	793,082	-
Transfers out	-	-	-	-	-	-
Proceeds from notes receivable	-	-	-	-	-	-
Proceeds from loan	-	-	-	-	-	-
Repayment of loan	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,082</u>	<u>-</u>
EXTRAORDINARY ITEMS						
RDA dissolution transactions	-	-	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(31,926)	(45,692)	(2,099)	11,689	160,117	11,860
Fund balances (deficits) - July 1, 2011	1,178,435	355,876	40,788	19,022	479,436	19,438
Fund balances (deficits) - June 30, 2012	<u>\$ 1,146,509</u>	<u>\$ 310,184</u>	<u>\$ 38,689</u>	<u>\$ 30,711</u>	<u>\$ 639,553</u>	<u>\$ 31,298</u>

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	1982 Benefits Assessment District	Abandoned Vehicle Abatement	Public Education and Government Grant	Community Development Block Grant	Public Facilities	RDA - Debt Service
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-	-	-
Licenses, permits and fees	43,331	-	-	-	-	-
Investment earnings	737	178	638	(105)	10,827	9,982
Intergovernmental	-	21,894	55,051	451,547	-	-
Charges for services	-	-	-	-	96,188	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>44,068</u>	<u>22,072</u>	<u>55,689</u>	<u>451,442</u>	<u>107,015</u>	<u>9,982</u>
EXPENDITURES						
General administration	-	-	45,852	-	(326)	-
Public safety	-	13,416	-	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	208,663	-	-
Streets and Roads	7,597	-	-	-	-	-
Drainage	-	-	-	-	-	-
Housing	-	-	-	-	-	-
Capital outlay	-	-	-	48,394	-	-
Debt service:						
Principal	-	-	-	-	-	375,000
Interest	-	-	-	-	-	110,585
Total Expenditures	<u>7,597</u>	<u>13,416</u>	<u>45,852</u>	<u>257,057</u>	<u>(326)</u>	<u>485,585</u>
Excess (deficiency) of revenues over expenditures	<u>36,471</u>	<u>8,656</u>	<u>9,837</u>	<u>194,385</u>	<u>107,341</u>	<u>(475,603)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(241,094)	(1,986,046)
Proceeds from notes receivable	-	-	-	-	-	-
Proceeds from loan	-	-	-	-	-	-
Repayment of loan	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,094)</u>	<u>(1,986,046)</u>
EXTRAORDINARY ITEMS						
RDA dissolution transactions	-	-	-	-	-	(2,704,210)
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,704,210)</u>
Net change in fund balance	36,471	8,656	9,837	194,385	(133,753)	(5,165,859)
Fund balances (deficits) - July 1, 2011	107,269	37,724	119,057	(328,257)	770,342	5,165,859
Fund balances (deficits) - June 30, 2012	<u>\$ 143,740</u>	<u>\$ 46,380</u>	<u>\$ 128,894</u>	<u>\$ (133,872)</u>	<u>\$ 636,589</u>	<u>\$ -</u>

TOWN OF WINDSOR
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	RDA Low and Moderate Income Housing	Housing Fund	Park Development	Drainage Mitigation	Fire Mitigation	Debt Service	Total Non-major Governmental Funds
REVENUES							
Property taxes	\$ 595,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,141
Other Taxes	-	-	-	-	-	-	908,542
Licenses, permits and fees	-	-	-	-	-	-	56,843
Investment earnings	35,820	-	28,040	77,881	435	(42,216)	157,268
Intergovernmental	1,149,400	-	-	-	-	-	3,740,457
Charges for services	-	-	461,860	139,867	-	-	697,915
Other revenue	-	-	-	-	-	-	9,663
Total Revenues	1,781,099	-	489,900	217,748	435	(42,216)	6,167,829
EXPENDITURES							
General administration	-	-	-	-	-	-	45,526
Public safety	-	-	51,134	-	-	-	64,550
Public works	881	-	-	-	-	-	1,533,844
Community development	-	-	-	-	-	-	235,222
Streets and Roads	-	-	-	-	-	-	1,763,250
Drainage	-	-	-	220,577	-	-	220,577
Housing	2,059,098	-	-	-	-	-	2,061,177
Capital outlay	591	-	383,453	651,360	-	-	1,486,272
Debt service:							
Principal	-	-	-	-	-	5,595,000	5,970,000
Interest	-	-	-	-	-	701,689	812,274
Total Expenditures	2,060,570	-	434,587	871,937	-	6,296,689	14,192,692
Excess (deficiency) of revenues over expenditures	(279,471)	-	55,313	(654,189)	435	(6,338,905)	(8,024,863)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	1,482,184	2,275,266
Transfers out	-	-	-	-	-	-	(2,227,140)
Repayment of notes receivable	-	368,690	-	-	-	-	368,690
Proceeds from loan	91,500	-	-	-	-	4,823,400	4,914,900
Repayment of loan	(2,072,067)	-	-	-	-	-	(2,072,067)
Total other financing sources (uses)	(1,980,567)	368,690	-	-	-	6,305,584	3,259,649
EXTRAORDINARY ITEMS							
RDA dissolution transactions	(3,895,618)	-	-	-	-	-	(6,599,828)
Total extraordinary items	(3,895,618)	-	-	-	-	-	(6,599,828)
Net change in fund balance	(6,155,656)	368,690	55,313	(654,189)	435	(33,321)	(11,365,042)
Fund balances (deficits) - July 1, 2011	6,155,656	-	435,762	6,493,562	472,033	3,294,329	24,816,331
Fund balances (deficits) - June 30, 2012	\$ -	\$ 368,690	\$ 491,075	\$ 5,839,373	\$ 472,468	\$ 3,261,008	\$ 13,451,289

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, 2012

	Water Reclamation			Totals
	Operating	Capital Replacement	Capital	
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 6,243,362	\$ 4,884,886	\$ (2,632,280)	\$ 8,495,968
Investments	3,255,486	25,413	1,785,061	5,065,960
Accounts receivable	1,382,239	-	114,750	1,496,989
Interest receivable	7,540	4,695	32	12,267
Prepaid expenses	6,759	-	-	6,759
Inventory	6,293	-	-	6,293
Total Current Assets	10,901,679	4,914,994	(732,437)	15,084,236
Non-Current Assets				
Restricted cash and cash equivalents	5,123	27,335	113,058	145,516
Deferred issuance costs, net	132,333	-	-	132,333
Capital assets, net of accumulated depreciation	57,976,725	-	-	57,976,725
Total Non-Current Assets	58,114,181	27,335	113,058	58,254,574
Total Assets	\$ 69,015,860	\$ 4,942,329	\$ (619,379)	\$ 73,338,810
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 270,796	\$ 198,968	\$ 112,518	\$ 582,282
Accrued liabilities	79,007	2,565	-	81,572
Accrued interest payable	19,242	-	98,221	117,463
Deposits payable	52,421	-	-	52,421
Long term liabilities - current portion	177,972	-	667,211	845,183
Total Current Liabilities	599,438	201,533	877,950	1,678,921
Non-Current Liabilities				
Compensated absences	101,636	3,867	-	105,503
Loans payable	-	-	4,413,183	4,413,183
Bonds payable	335,800	-	3,714,200	4,050,000
Total Non-Current Liabilities	437,436	3,867	8,127,383	8,568,686
Total Liabilities	1,036,874	205,400	9,005,333	10,247,607
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	57,462,953	-	(8,794,594)	48,668,359
Unrestricted	10,516,033	4,736,929	(830,118)	14,422,844
Total Net Assets	67,978,986	4,736,929	(9,624,712)	63,091,203
Total Liabilities and Net Assets	\$ 69,015,860	\$ 4,942,329	\$ (619,379)	\$ 73,338,810

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Water			Totals
	Operating	Capital Replacement	Capital	
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 3,946,615	\$ 4,467,490	\$ 4,750,090	\$ 13,164,195
Investments	157,310	17,523	7,428	182,261
Accounts receivable	1,192,812	-	-	1,192,812
Interest receivable	3,578	4,093	4,538	12,209
Prepaid expenses	6,665	-	-	6,665
Inventory	54,093	-	-	54,093
Total Current Assets	5,361,073	4,489,106	4,762,056	14,612,235
Non-Current Assets				
Restricted cash and cash equivalents	74,197	16,574	-	90,771
Deferred issuance costs, net	119,500	-	-	119,500
Capital assets, net of accumulated depreciation	22,040,593	-	-	22,040,593
Total Non-Current Assets	22,234,290	16,574	-	22,250,864
Total Assets	\$ 27,595,363	\$ 4,505,680	\$ 4,762,056	\$ 36,863,099
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 299,159	\$ 59,276	\$ 14,822	\$ 373,257
Accrued liabilities	80,346	838	1,110	82,294
Accrued interest payable	19,747	-	2,519	22,266
Deposits payable	52,421	-	-	52,421
Long term liabilities - current portion	183,994	-	-	183,994
Total Current Liabilities	635,667	60,114	18,451	714,232
Non-Current Liabilities				
Compensated absences	100,924	553	1,602	103,079
Loans payable	-	296,259	296,259	592,518
Bonds payable	75,800	-	3,714,200	3,790,000
Total Non-Current Liabilities	176,724	296,812	4,012,061	4,485,597
Total Liabilities	812,391	356,926	4,030,512	5,199,829
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	21,780,799	(296,259)	(4,010,459)	17,474,081
Unrestricted	5,002,173	4,445,013	4,742,003	14,189,189
Total Net Assets	26,782,972	4,148,754	731,544	31,663,270
Total Liabilities and Net Assets	\$ 27,595,363	\$ 4,505,680	\$ 4,762,056	\$ 36,863,099

TOWN OF WINDSOR
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Water Reclamation			Totals
	Operating	Capital Replacement	Capital	
<u>OPERATING REVENUES</u>				
Charges for services, net of refunds	\$ 7,469,675	\$ -	\$ 640,280	\$ 8,109,955
Other revenue	238,192	-	-	238,192
Total Operating Revenue	7,707,867	-	640,280	8,348,147
<u>OPERATING EXPENSES</u>				
Salaries and benefits	2,577,802	82,335	-	2,660,137
Materials, supplies, and operational expenses	1,096,018	45,703	(66,446)	1,075,275
Repairs and maintenance	420,126	-	-	420,126
Insurance	65,210	-	-	65,210
Contractual services	1,125,471	31,252	-	1,156,723
Taxes and licenses	38,393	-	-	38,393
Utilities	634,214	-	-	634,214
Depreciation	1,831,624	-	-	1,831,624
Total Operating Expenses	7,788,858	159,290	(66,446)	7,881,702
Operating Income (Loss)	(80,991)	(159,290)	706,726	466,445
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Amortization expense	(107,703)	-	-	(107,703)
Rental income	206,891	-	27,498	234,389
Interest income	74,859	28,425	33,279	136,563
Interest expense	(316,187)	-	-	(316,187)
Property taxes	7,080	-	-	7,080
Total Non-Operating Revenues (Expenses)	(135,060)	28,425	60,777	(45,858)
Income Before Contributions and Transfers	(216,051)	(130,865)	767,503	420,587
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Transfers in	2,915,356	1,600,000	-	4,515,356
Transfers out	(1,703,950)	(1,674,494)	(1,125,639)	(4,504,083)
Total Transfers and Capital Contributions	1,211,406	(74,494)	(1,125,639)	11,273
Change in net assets	995,355	(205,359)	(358,136)	431,860
Total Net Assets - July 1, 2011	66,983,631	4,942,288	(9,266,576)	62,659,343
Total Net Assets - June 30, 2012	\$ 67,978,986	\$ 4,736,929	\$ (9,624,712)	\$ 63,091,203

TOWN OF WINDSOR
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water			Totals
	Operating	Capital Replacement	Capital	
<u>OPERATING REVENUES</u>				
Charges for services, net of refunds	\$ 5,949,695	\$ -	\$ 125,327	\$ 6,075,022
Other revenue	99,669	-	-	99,669
Total Operating Revenue	6,049,364	-	125,327	6,174,691
<u>OPERATING EXPENSES</u>				
Salaries and benefits	2,438,527	34,829	37,166	2,510,522
Materials, supplies, and operational expenses	1,620,905	24,758	-	1,645,663
Repairs and maintenance	330,645	-	-	330,645
Insurance	65,210	-	-	65,210
Contractual services	135,053	-	87,040	222,093
Taxes and licenses	780	-	-	780
Utilities	14,794	-	-	14,794
Depreciation	1,052,170	-	-	1,052,170
Total Operating Expenses	5,658,084	59,587	124,206	5,841,877
Operating Income (Loss)	391,280	(59,587)	1,121	332,814
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Amortization expense	(3,800)	-	-	(3,800)
Grant revenue	114,565	-	-	114,565
Interest income	16,090	24,080	135,266	175,436
Interest expense	(179,219)	-	-	(179,219)
Total Non-Operating Revenues (Expenses)	(52,364)	24,080	135,266	106,982
Income Before Contributions and Transfers	338,916	(35,507)	136,387	439,796
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Transfers in	381,285	750,000	-	1,131,285
Transfers out	(855,921)	(113,947)	(152,113)	(1,121,981)
Total Transfers and Capital Contributions	(474,636)	636,053	(152,113)	9,304
Change in net assets	(135,720)	600,546	(15,726)	449,100
Total Net Assets - July 1, 2011	26,918,692	3,548,208	747,270	31,214,170
Total Net Assets - June 30, 2012	\$ 26,782,972	\$ 4,148,754	\$ 731,544	\$ 31,663,270

FIDUCIARY FUNDS

Agency Funds

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

Bonita Roble Trust Fund

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

Brooks Special Assessment District Fund

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

Mitchell Shiloh Conde Assessment District Fund

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

In-Lieu Agency Fund

This fund is used to account for fees paid by developers in lieu of construction of improvements.

Performance Bond Fund

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

Golf Course Fund

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

Miscellaneous Fund

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

Private-Purpose Trust Funds

Private-purpose trust funds are fiduciary funds which are used to report all trust arrangements (other than pension and investment trust funds) under which principal and income benefit individuals, private organizations, or other governments. The specific private-purpose trust funds used by the Town are related to the Successor Agency of the former Windsor Redevelopment Agency:

RDA Capital Assets Fund

This fund is used to account for capital assets transferred from the former Agency.

RDA Debt Service Fund

This fund is used to account for bonds and loans payable transferred from the former Agency.

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
SUCCESSOR AGENCY
JUNE 30, 2012

<u>ASSETS</u>	<u>Capital Assets</u>	<u>Debt Service</u>	<u>Totals</u>
Cash and cash equivalents	\$ 8,697,082	\$ -	\$ 8,697,082
Investments	1,873,049	-	1,873,049
Interest receivable	10,458	-	10,458
Prepaid assets	440	2,542	2,982
Restricted cash and cash equivalents	182,891	-	182,891
Capital assets, net of accumulated depreciation	4,930,012	-	4,930,012
Deferred charges, net of accumulated amortization	417,046	-	417,046
	<hr/>	<hr/>	<hr/>
Total Assets	16,110,978	2,542	16,113,520
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts payable	2,359	-	2,359
Accrued expenses	52,842	-	52,842
Interest payable	-	66,588	66,588
Long-term liabilities:			
Due within one year	-	385,000	385,000
Due in more than one year	-	5,640,000	5,640,000
	<hr/>	<hr/>	<hr/>
Total Liabilities	55,201	6,091,588	6,146,789
	<hr/>	<hr/>	<hr/>
<u>NET ASSETS</u>			
Held in trust for other governments	16,055,777	(6,089,046)	9,966,731
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 16,055,777	\$(6,089,046)	\$ 9,966,731
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TOWN OF WINDSOR
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
SUCCESSOR AGENCY
FOR THE PERIOD FEBRUARY 1, 2012 TO JUNE 30, 2012

	Capital Assets	Debt Service	Totals
<u>ADDITIONS</u>			
Investment earnings	\$ 72,991	\$ -	\$ 72,991
Transfers in	-	626,044	626,044
Total additions	72,991	626,044	699,035
<u>DEDUCTIONS</u>			
Interest expense	-	100,341	100,341
Residual amount of property taxes paid	44,196	-	44,196
Community development	184,917	-	184,917
Depreciation	26,864	-	26,864
Amortization	14,282	-	14,282
Transfers out	626,044	-	626,044
Total deductions	896,303	100,341	996,644
Change in net assets before extraordinary items	(823,312)	525,703	(297,609)
<u>EXTRAORDINARY ITEMS</u>			
Extraordinary gain/(loss)	16,879,089	(6,614,749)	10,264,340
Total extraordinary items	16,879,089	(6,614,749)	10,264,340
Change in net assets	16,055,777	(6,089,046)	9,966,731
Net assets held in trust - July 1, 2011	-	-	-
Net assets held in trust - June 30, 2012	\$ 16,055,777	\$ (6,089,046)	\$ 9,966,731

TOWN OF WINDSOR
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2012

	Bonita Roble Trust Fund	Brooks Special Assessment Construction Fund	Mitchell Shiloh Conde Assessment District	In-Lieu Agency Fund	Performance Bond Fund	Golf Course Fund	Miscellaneous Fund	Totals
<u>ASSETS</u>								
Cash and cash equivalents	\$ 10,142	\$ 906	\$ 405,105	\$ 179,005	\$ 171,169	\$ (39,008)	\$ 109,853	\$ 837,172
Investments	4,784	-	444,310	14,808	39,494	36,670	73,150	613,216
Accounts receivable	-	-	-	-	-	-	-	-
Interest receivable	14	-	865	176	-	3	-	1,058
Restricted cash and cash equivalents	507	-	82,678	1,074	4,230	5,293	6,658	100,440
Total Assets	\$ 15,447	\$ 906	\$ 932,958	\$ 195,063	\$ 214,893	\$ 2,958	\$ 189,661	\$ 1,551,886
<u>LIABILITIES</u>								
Accounts payable	\$ -	\$ -	\$ 78,743	\$ -	\$ -	\$ -	\$ 4,882	\$ 83,625
Deposits payable	15,447	-	-	178,423	214,893	2,958	182,729	594,450
Due to special assessment districts	-	906	854,215	16,640	-	-	2,050	873,811
Total Liabilities	\$ 15,447	\$ 906	\$ 932,958	\$ 195,063	\$ 214,893	\$ 2,958	\$ 189,661	\$ 1,551,886

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor (the “Town”), as of and for the year ended June 30, 2012, which collectively comprise the Town of Windsor’s basic financial statements and have issued our report thereon dated January 2, 2013. 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

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town in a separate letter dated January 2, 2013.

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

OUM + Co. LLP

San Francisco, CA

January 2, 2013