

THE REDEVELOPMENT AGENCY
OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2010



**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the Town of Windsor (the Agency), a component unit of the Town of Windsor, as of and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Redevelopment Agency of the Town of Windsor as of June 30, 2010, and the respective changes in the financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Sacramento, California
 December 6, 2010

PRINCIPALS

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

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

As management of the Redevelopment Agency of the Town of Windsor (the Agency), we offer readers of the Agency's financial statements this narrative overview of the financial activities of the Agency as of and for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information, which can be found in the financial statements, which follow this discussion.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The Agency maintains three individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the Redevelopment Agency's Housing Set-Aside Special Revenue Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

NET ASSETS

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>Restated 2009</u>
Current and other assets	\$ 19,656,626	\$ 19,399,542
Capital assets	<u>4,411,207</u>	<u>4,148,660</u>
Total Assets	<u>24,067,833</u>	<u>23,548,202</u>
Current and other liabilities	939,730	1,012,135
Long term liabilities	<u>8,688,625</u>	<u>7,755,592</u>
Total Liabilities	<u>9,628,355</u>	<u>8,767,727</u>
Net Assets:		
Invested in capital assets, net of related debt	(1,048,793)	(2,626,340)
Unrestricted	<u>15,488,271</u>	<u>17,406,815</u>
Total Net Assets	<u>\$ 14,439,478</u>	<u>\$ 14,780,475</u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

CHANGE IN NET ASSETS

JUNE 30, 2010 AND 2009

	2010	Restated 2009
Revenues:		
General:		
Property taxes	\$ 3,310,699	\$ 3,356,061
Use of money and property	241,879	609,051
Other revenue	114,482	19,056
Transfer from the Town of Windsor	487,155	767,034
Total Revenues	4,154,215	4,751,202
Expenses:		
General government	4,407	223,770
Community development	1,038,652	967,440
Housing	412,833	311,939
Interest on long-term liabilities	397,144	277,246
SERAF Shift to County	1,397,155	-
Transfer to the Town of Windsor	1,245,021	1,011,894
Total Expenses	4,495,212	2,792,289
Change in Net Assets	\$ (340,997)	\$ 1,958,913

The following items impacted Agency-wide revenues for the fiscal year ended June 30, 2010:

- Incremental tax revenues were down from the previous fiscal year due to lower assessed values.
- Use of money and property were down from the previous year due to lower rates of return on investments.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

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

The Redevelopment Agency Debt Service Fund is used to accumulate resources for the payment of principal and interest on debt of the Agency. During the fiscal year, interest expenditures amounted to \$292,600.

The Redevelopment Agency Capital Projects Fund is used to account for the Agency's general administration and operating costs as well as the Agency's capital improvement projects, except for those accounted for in the Agency's Housing fund. Expenditures totaling \$367,969 were spent on capital outlay projects.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

BUDGETARY HIGHLIGHTS

There was a \$1,502,940 increase in appropriations between the original budget and the final amended budget for the biennium ended June 30, 2010. Significant changes include a \$870,000 increase to cover an early bond call (Series 1998 Bonds) and a \$572,940 increase to appropriate unencumbered funds for the Keiser Park expansion project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The Agency's investment in capital assets for its governmental activities, as of June 30, 2010, amounted to \$4,411,207, net of accumulated depreciation. This was an increase of \$262,547 over last year. The investment in capital assets included land, buildings, improvements other than buildings, and machinery and equipment.

Long-term liabilities - The Agency's outstanding long-term liabilities, including bonds and compensated absences were \$9,054,625 at June 30, 2010. The Agency's outstanding long-term liabilities increased by \$944,033 in fiscal year 2010 as a result of the addition of Cal HFA loans and the normal maturity of existing debt.

REQUESTS FOR INFORMATION

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

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS

Cash and cash equivalents (Note 2)	\$ 13,077,163
Restricted cash and cash equivalents (Note 2)	160,134
Investments (Note 2)	1,785,878
Accounts receivable	550,964
Interest receivable	9,058
Deferred charges - net of accumulated amortization (Note 6)	485,601
Notes and loans receivable (Note 4)	3,587,828
Capital assets (Note 5)	
Land and construction in progress	2,651,275
Capital assets, net of depreciation	<u>1,759,932</u>
Total capital assets	<u>4,411,207</u>
Total Assets	\$ <u>24,067,833</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 408,881
Interest payable	164,849
Long-term liabilities (Note 6):	
Due within one year	366,000
Due in more than one year	<u>8,688,625</u>
Total Liabilities	<u>9,628,355</u>

NET ASSETS

Restricted for:	
Invested in capital assets, net of related debt	(1,048,793)
Unrestricted	<u>15,488,271</u>
Total Net Assets	<u>14,439,478</u>
Total Liabilities and Net Assets	\$ <u>24,067,833</u>

See accompanying notes to the financial statements

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Capital Grants and Contributions		
Governmental activities:				
General government	\$ 4,407	\$ -	\$ -	\$ (4,407)
Community development	2,435,807	-	-	(2,435,807)
Housing	412,833	-	-	(412,833)
Interest and fiscal charges	397,144	-	-	(397,144)
Total Governmental Activities	\$ 3,250,191	\$ -	\$ -	\$ (3,250,191)
General revenues:				
Taxes:				
Incremental property taxes				\$ 3,310,699
Use of money and property				241,879
Miscellaneous				114,482
Transfers:				
Transfers from other funds of the Town (Note 3)				487,155
Transfers to other funds of the Town (Note 3)				(1,245,021)
Total general revenues and transfers				2,909,194
Change in net assets				(340,997)
Net assets - July 1, 2009				15,539,728
Prior period restatement (Note 9)				(759,253)
Net assets - July 1, 2009, restated				14,780,475
Net assets - June 30, 2010				\$ 14,439,478

See accompanying notes to the financial statements

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Housing Set- Aside Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,082,925	\$ 8,019,632	\$ 974,606	\$ 13,077,163
Restricted cash and cash equivalents	-	143,895	16,239	160,134
Investments	1,785,878	-	-	1,785,878
Accounts receivable	550,964	-	-	550,964
Interest receivable	-	6,351	2,707	9,058
Notes receivable	<u>3,587,828</u>	<u>-</u>	<u>-</u>	<u>3,587,828</u>
 Total Assets	 <u>\$ 10,007,595</u>	 <u>\$ 8,169,878</u>	 <u>\$ 993,552</u>	 <u>\$ 19,171,025</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 192,387	\$ -	\$ 193,920	\$ 386,307
Accrued expenditures	11,615	-	10,959	22,574
Deferred revenue	<u>3,587,828</u>	<u>-</u>	<u>-</u>	<u>3,587,828</u>
Total Liabilities	<u>3,791,830</u>	<u>-</u>	<u>204,879</u>	<u>3,996,709</u>
 FUND BALANCES:				
Reserved for:				
Debt service	-	8,169,878	-	8,169,878
Low and moderate income housing	6,215,765	-	-	6,215,765
Unreserved: Undesignated	<u>-</u>	<u>-</u>	<u>788,673</u>	<u>788,673</u>
Total Fund Balances	<u>6,215,765</u>	<u>8,169,878</u>	<u>788,673</u>	<u>15,174,316</u>
 Total Liabilities and Fund Balances	 <u>\$ 10,007,595</u>	 <u>\$ 8,169,878</u>	 <u>\$ 993,552</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds (net of accumulated depreciation of \$902,696). 4,411,207

Revenues which are deferred on the fund balance sheet because they are not available currently are taken into revenue in the Statement of Activities. 3,587,828

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Advances payable	(1,313,000)
Deferred charges	485,601
Bonds payable	(5,460,000)
Loans payable	(2,250,000)
Accrued interest on bonds payable	(164,849)
Accrued compensated absences	<u>(31,625)</u>

Net assets of governmental activities \$ 14,439,478

See accompanying notes to the financial statements

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Housing Set- Aside Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<u>REVENUES</u>				
Property tax incremental revenue	\$ 662,140	\$ 2,648,559	\$ -	\$ 3,310,699
Program income	2,264,949	-	-	2,264,949
Use of money and property	86,644	65,173	90,062	241,879
Other revenues	<u>9,176</u>	<u>-</u>	<u>6,624</u>	<u>15,800</u>
Total Revenues	<u>3,022,909</u>	<u>2,713,732</u>	<u>96,686</u>	<u>5,833,327</u>
<u>EXPENDITURES</u>				
Current operations:				
General government	4,407	-	-	4,407
Community development	2,245	-	2,319,107	2,321,352
Housing	337,716	-	3,086	340,802
Debt service:				
Principal	-	1,315,000	-	1,315,000
Interest and fiscal charges	-	292,600	-	292,600
Capital outlay	<u>-</u>	<u>-</u>	<u>367,969</u>	<u>367,969</u>
Total Expenditures	<u>344,368</u>	<u>1,607,600</u>	<u>2,690,162</u>	<u>4,642,130</u>
Excess (deficiency) of revenues over expenditures	<u>2,678,541</u>	<u>1,106,132</u>	<u>(2,593,476)</u>	<u>1,191,197</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from other funds of the Town	-	-	487,155	487,155
Transfers to other funds of the Town	<u>-</u>	<u>(857,701)</u>	<u>(387,320)</u>	<u>(1,245,021)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(857,701)</u>	<u>99,835</u>	<u>(757,866)</u>
Net change in fund balance	<u>2,678,541</u>	<u>248,431</u>	<u>(2,493,641)</u>	<u>433,331</u>
Fund balances - July 1, 2009	3,537,224	7,921,447	7,637,093	19,095,764
Prior period restatement (Note 9)	<u>-</u>	<u>-</u>	<u>(4,354,779)</u>	<u>(4,354,779)</u>
Fund balances - July 1, 2009 (restated)	<u>3,537,224</u>	<u>7,921,447</u>	<u>3,282,314</u>	<u>14,740,985</u>
Fund balances - June 30, 2010	<u>\$ 6,215,765</u>	<u>\$ 8,169,878</u>	<u>\$ 788,673</u>	<u>\$ 15,174,316</u>

See accompanying notes to the financial statements

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
 RECONCILIATION OF THE
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ 433,331
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases	367,970
Depreciation expense	(105,423)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Bond principal payments	1,315,000
Proceeds from long-term notes payable are an other financing source in governmental funds, but an increase in long-term liabilities in the Statement of Net Assets.	
Proceeds from notes payable	(2,250,000)
Issuance costs and discounts related to the issuance of long-term liabilities are expenditures in the governmental funds, but increases the assets in the Statement of Net Assets.	
Amortization of deferred charges	(34,278)
Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenues and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Assets.	
Additions to notes receivable, including accrued interest	1,033,733
Payments and write-offs on notes receivable	(1,022,031)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(9,033)
Interest payable on long-term liabilities	<u>(70,266)</u>
Change in net assets of governmental activities	<u>\$ (340,997)</u>

See accompanying notes to the financial statements

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Agency of the Town of Windsor (the Agency) was established on July 1, 1993, under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000). At that time, the Agency assumed responsibility for the Windsor Project Area from the Sonoma County Community Development Commission. The Windsor Project Area was established on November 27, 1984, with the adoption of the Redevelopment Plan and encompasses approximately 670 acres in the Windsor area. The primary purpose of the Agency is to eliminate blighted areas by encouraging and assisting development of residential, commercial, industrial, recreational, and public facilities. The Agency receives incremental tax revenues on the developed property due to increases in assessed value. The Agency functions as an independent entity and its policies are determined by the Council of the Town in a separate capacity as members of the Redevelopment Agency Board. All staff work is performed by the officials and staff of the Town, or by consultants to the Agency.

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

A. Basis of Presentation

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

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

The fund financial statements provide information about the Agency. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds. A fund is considered major if it is the primary operating fund of the Agency or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

Major Funds

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. Cash and Investments

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

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

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

D. Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets with a historical cost over \$5,000 (\$50,000 for infrastructure) are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

With the implementation of GASB Statement 34, the Agency has recorded all public domain (infrastructure) capital assets. Depreciation of all exhaustible 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	10 - 25 years
Infrastructure	30 years
Computer equipment	3 - 5 years
Other equipment and furnishings	5 - 20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate earned vacation up to 160 hours. Additional accrual requires the Town Manager's approval. Employees may accumulate sick leave without limits. The Agency's liability for compensated absences is recorded in the government-wide statement of net assets. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2010. Accumulated unpaid vacation and sick pay are accrued when earned. At retirement, management personnel have the option of receiving 20 percent of their accumulated sick leave as a lump sum payment or 100 percent as additional service credit. Upon termination, 20 percent of the accumulated sick leave may only be taken as a lump sum payment. Other employees may apply their accumulated sick leave as additional service credit at retirement.

F. Long Term Liabilities

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

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

G. Revenues

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

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the Town and other districts receiving taxes from the project area.

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Tax

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

Secured and unsecured property taxes are levied on July 1 of the preceding fiscal year. Taxes are levied on both real and secured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

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

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

I. Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets restricted as to use either by (1) the terms and conditions of agreements with outside parties, governmental regulations, or laws; or (2) laws enacted through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

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

Reserve for low and moderate income housing is the portion of fund balance reserved for low and moderate income housing projects within the Redevelopment Agency.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Budgets and Budgetary Accounting

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

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

K. Use of Estimates

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

NOTE 2: CASH AND INVESTMENTS

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

Cash and investments as of June 30, 2010 were classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 13,077,163
Restricted cash and cash equivalents	160,134
Investments	<u>1,785,878</u>
Total cash and investments	<u>\$ 15,023,175</u>

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

Cash in investment pools	\$ 11,625,888
Cash with fiscal agent	143,895
Investments	1,785,878
Cash in banks	<u>1,467,514</u>
Total cash and investments	<u>\$ 15,023,175</u>

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	50%	15%
Banker's Acceptances	180 days	25%	5%
Commercial Paper	180 days	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	90 days	75%	None
County Pooled Investment Funds	N/A	75%	None
Local Agency Investment Fund (LAIF)	N/A	75%	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
State or Local Government Obligation	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Money Market Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity as of June 30, 2010:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Cash in Investment Pools (LAIF and County)	\$ 11,625,888	\$ -	\$ 11,625,888
Investments	-	1,785,878	1,785,878
Held by bond trustee:			
Money market funds	<u>160,134</u>	<u>-</u>	<u>160,134</u>
	<u>\$ 11,786,022</u>	<u>\$ 1,785,878</u>	<u>\$ 13,571,900</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

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 included in the Town's pooled investments.

	Total	Ratings as of Fiscal Year End		N/A
		S&P	Moody's	
Cash in Investment Pools (LAIF and County)	\$ 11,625,888			Not rated
Investments	1,785,878	AAA	AAa	
Held by bond trustee:				
Money market funds	<u>160,134</u>			Not rated
	<u>\$ 13,571,900</u>			

Concentration of Credit Risk

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

Issuer	Investment Type	Amount
Federal Home Loan Bank	U.S. Agency Securities	\$ 5,778,374
Federal National Mortgage Association	U.S. Agency Securities	10,403,022
General Electric	Corporate Bonds	3,123,060

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Agency pools its cash with the Town of Windsor including deposit accounts and the Sonoma Investment Pool. As of June 30, 2010, \$250,000 of the Town's bank balances was insured by the Federal Deposit Insurance Corporation and \$1,196,812 was uninsured.

Investment in State and County Investment Pool

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

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3: TRANSACTIONS BETWEEN THE TOWN AND RDA

Transfers between the Town of Windsor and the Redevelopment Agency during the fiscal year ended June 30, 2010 were as follows:

<u>Transfers between the Redevelopment Agency and the Town of Windsor</u>	<u>Amount Transferred</u>
Transfer from the RDA Debt Service Fund to the Town's Lighting & Landscaping Assessment Fund for tax increment revenue.	\$ (3,625)
Transfer from the RDA Debt Service Fund to the Town's Debt Service Fund for debt service	(366,921)
Transfer from the RDA Debt Service Fund to the Town's General Fund for debt service	(487,155)
Transfer from the RDA Capital Project Fund to the Town's General Fund for community services event	(25,099)
Transfer from the RDA Capital Project Fund to the Town's Debt Service Fund for base rental payments	(362,221)
Transfer from the Town's General Fund to the RDA Capital Project Fund as a loan	<u>487,155</u>
Net Transfers	<u>\$ (757,866)</u>

NOTE 4: NOTES RECEIVABLE

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

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

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

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4: NOTES AND LOANS RECEIVABLE (CONTINUED)

A. Forest Winds Apartments Notes Receivable

In March 1992, the Sonoma County Community Development Commission entered into an agreement to loan \$340,000 to Burbank Housing Development Corporation (Burbank), a nonprofit public benefit corporation, for property acquisition and development costs of an affordable housing project in the Town of Windsor. This note has been assigned to the Low and Moderate Income Housing Fund of the Agency and is to accrue 3 percent simple interest for 30 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2010 was \$186,857.

B. Winter Creek Village Apartments Notes Receivable

In January 2003, various loans were granted to the Burbank Housing Development Corporation for the Winter Creek Village Apartment Project. The total loan amount of \$1,085,000 was for property acquisition development costs, fees, and permits for an affordable housing project in the Town of Windsor. This note has been assigned to the Low and Moderate Income Housing Fund of the Agency and is to accrue 3 percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2010 was \$40,573.

C. Vinecrest Note Receivable

In January 1997, the Agency made payments to the Burbank Housing Development Corporation for the development costs of an affordable housing project (Vinecrest Housing Project). These amounts are shown as a receivable in the Low and Moderate Income Housing Fund of the Agency. The loan accrues interest at 3 percent simple interest for 40 years with all principal and interest payments deferred for the life of the loan. Accrued interest on the loan balance at June 30, 2010 was \$275,198.

D. Twin Oaks Notes Receivable

In July 2002, the Agency sold three townhomes aggregating \$691,500 to three different individuals. Two of the properties were repurchased in the 2005 - 06 fiscal year and the notes were dissolved leaving one note outstanding for \$50,000. In December 2005, the Agency sold one of the properties with a balance of \$75,000 in the form of a note, and in August 2008, the Agency sold the remaining property with a balance of \$50,000. Upon sale of the property the Agency will receive the principal amount of the notes plus a share of the property's appreciation. The appreciation is equal to the percentage amount that the Agency's note represents as a portion of the original sales price.

F. Manzanita Self-Help Note Receivable

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

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets related to governmental activities of the Agency for the year ended June 30, 2010:

	<u>Balance at July 1, 2009</u>	<u>Adjustments (Note 9)</u>	<u>Balance July 1, 2009, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Governmental activities:						
Capital assets not being depreciated						
Land	\$ 2,236,279	\$ -	\$ 2,236,279	\$ -	\$ -	\$ 2,236,279
Construction-in-progress	<u>4,792,638</u>	<u>(4,745,612)</u>	<u>47,026</u>	<u>367,970</u>	<u>-</u>	<u>414,996</u>
Total capital assets not being depreciated	<u>7,028,917</u>	<u>(4,745,612)</u>	<u>2,283,305</u>	<u>367,970</u>	<u>-</u>	<u>2,651,275</u>
Capital assets being depreciated						
Buildings	330,000	-	330,000	-	-	330,000
Improvements	<u>2,332,628</u>	<u>-</u>	<u>2,332,628</u>	<u>-</u>	<u>-</u>	<u>2,332,628</u>
Total capital assets being depreciated	<u>2,662,628</u>	<u>-</u>	<u>2,662,628</u>	<u>-</u>	<u>-</u>	<u>2,662,628</u>
Less accumulated depreciation						
Buildings	(56,100)	-	(56,100)	(6,600)	-	(62,700)
Improvements	<u>(741,173)</u>	<u>-</u>	<u>(741,173)</u>	<u>(98,823)</u>	<u>-</u>	<u>(839,996)</u>
Total accumulated depreciation	<u>(797,273)</u>	<u>-</u>	<u>(797,273)</u>	<u>(105,423)</u>	<u>-</u>	<u>(902,696)</u>
Total capital assets, net	<u>\$ 8,894,272</u>	<u>\$ (4,745,612)</u>	<u>\$ 4,148,660</u>	<u>\$ 262,547</u>	<u>\$ -</u>	<u>\$ 4,411,207</u>

Depreciation in the amount of \$105,423 was charged to the community development function on the Statement of Activities for the year ended June 30, 2010.

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions related to governmental activities of the Agency for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Adjustments (Note 9)</u>	<u>Balance July 1, 2009, Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Current Portion</u>
Tax Allocation Bonds							
Series 1998	\$ 2,550,000	-	\$ 2,550,000	-	\$ 1,115,000	\$ 1,435,000	\$ 150,000
Series 2004	4,225,000	-	4,225,000	-	200,000	4,025,000	210,000
Lease Revenue Bonds							
Series 2008	<u>8,400,000</u>	<u>(8,400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonds Payable	<u>15,175,000</u>	<u>(8,400,000)</u>	<u>6,775,000</u>	<u>-</u>	<u>1,315,000</u>	<u>5,460,000</u>	<u>360,000</u>
Long-term advances from the Town of Windsor	1,313,000	-	1,313,000	-	-	1,313,000	-
Cal HFA Loans Payable	-	-	-	2,250,000	-	2,250,000	-
Compensated Absences	<u>22,592</u>	<u>-</u>	<u>22,592</u>	<u>14,973</u>	<u>5,940</u>	<u>31,625</u>	<u>6,000</u>
Total Long Term Liabilities	<u>\$ 16,510,592</u>	<u>\$ (8,400,000)</u>	<u>\$ 8,110,592</u>	<u>\$ 2,264,973</u>	<u>\$ 1,320,940</u>	<u>\$ 9,054,625</u>	<u>\$ 366,000</u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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

A. Tax Allocation Bonds - Series 1998

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

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

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

B. Tax Allocation Bonds - Series 2004

On October 7, 2004, the Agency issued \$5,020,000 of Tax Allocation Bonds (Series 2004) to (1) finance acquisition and construction of certain activities in the project area, (2) refund the Agency's 1994 Tax Allocation Bonds in the amount of \$3,925,000, and (3) pay the cost of issuing the bonds. The bonds were issued at a discount of \$41,534, and issuance costs were \$159,518. Principal is payable on September 1 each year through 2024, beginning in 2006. Interest is payable on September 1 and March 1 of each year through September 2024. The bonds shall be secured by a first pledge of and a lien on all the pledged tax revenues. The outstanding principal balance of the 2004 bonds at June 30, 2010 was \$4,025,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

C. Total Bond Debt Service

Total scheduled annual minimum bond debt service requirements for the Agency at June 30, 2010 were as follows:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 360,000	\$ 242,902	\$ 602,902
2012	375,000	206,511	581,511
2013	385,000	192,588	577,588
2014	405,000	177,532	582,532
2015	360,000	162,601	522,601
2016 - 2020	1,870,000	580,469	2,450,469
2021 - 2025	<u>1,705,000</u>	<u>199,717</u>	<u>1,904,717</u>
Total	<u>\$ 5,460,000</u>	<u>\$ 1,762,320</u>	<u>\$ 7,222,320</u>

D. Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of \$485,601 in the government-wide financial statements. The balance is amortized using the straight line method over the bond terms which range from 12-30 years. Amortization expense for bond costs for the year ended June 30, 2010 was \$34,278.

E. Long-term advances from the Town of Windsor

The advances from the Town of Windsor have a 0% interest rate. The repayment of such advances shall be subordinate to all other obligations of indebtedness incurred by the Agency. There is no future minimum debt service requirement, as repayment will be made when funds are available. The outstanding balance on the advances at June 30, 2010 was \$1,313,000.

F. Cal HFA Loan Payable

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

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

G. Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The liability for compensated absences is determined annually. The net change of accrued vacation was allocated to the community development function on the Statement of Activities.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7: FACILITY LEASE AGREEMENT

In accordance with a Reimbursement Agreement effective as of August 1, 2008, between the Town and the Agency, the Agency reimburses the Town for the full amount of base rental payments related to the construction, acquisition of equipment, and operation of the Town's new fire station. Each obligation of the Agency pursuant to the agreement is payable solely from legally available tax increment funds. The base rental payments are payable on September 15 and March 15, ending in 2017. Total scheduled base rental payments under the Reimbursement Agreement are as follows:

For the Year Ending June 30	Base Rental Payments
2011	\$ 969,821
2012	969,521
2013	968,221
2014	965,921
2015	967,621
2016 - 2020	5,766,136
Total	\$ 10,607,241

NOTE 8: SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND

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

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9: PRIOR PERIOD ADJUSTMENT

In the prior year, the issuance of \$8,400,000 lease revenue bonds were incorrectly recorded as an obligation of the Agency. In addition, the related proceeds and construction expenditures were also recorded in the Agency. In accordance with the bond official statement, the lease revenue bonds are an obligation of the Town's Financing Authority, which is included as one of the Town's governmental funds. Per the agreement, the Authority issued the bonds to finance the project and is leasing the facilities to the Town pursuant to which the Town is obligated to make base rental payments to the Authority. In accordance with a memorandum of understanding, the Agency is to reimburse the Town for the full amount of the base rental payments (see note 7). As the debt is not an obligation of the Agency, and the Town is responsible for the design and construction of the project, prior period adjustments were recorded to correctly reflect the transaction.

<u>Fund</u>	<u>Description of Adjustment</u>	<u>(Decrease) increase to Fund Balance</u>
Capital Projects Fund	Proceeds of bond issuance	\$ (8,393,270)
Capital Projects Fund	Bond cost of issuance	89,958
Capital Projects Fund	Construction expenditures	4,185,143
Capital Projects Fund	Base rental payment	<u>(236,610)</u>
	Total Fund Balance Adjustment	<u>\$ (4,354,779)</u>

In addition, the government-wide Statement of Net Assets for governmental activities has been adjusted to reflect the correction of the transaction.

<u>Description of Adjustment</u>	<u>Amount</u>
Fund balance adjustment	\$ (4,354,779)
Capital assets	(4,745,612)
Long-term liabilities	8,400,000
Interest payable	90,556
Deferred charges	<u>(149,418)</u>
Total Government-wide Adjustment	<u>\$ (759,253)</u>

NOTE 10: SUBSEQUENT EVENT

Government Accounting Standards Board Statement No. 54

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

REQUIRED SUPPLEMENTAL INFORMATION

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL
HOUSING SET-ASIDE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2009-2010 Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Property tax increment revenue	\$ 642,551	\$ 642,551	\$ 662,140	\$ 19,589
Program income	-	-	2,264,949	2,264,949
Use of money and property	20,340	20,340	86,644	66,304
Other revenues	<u>-</u>	<u>-</u>	<u>9,176</u>	<u>9,176</u>
Total Revenues	<u>662,891</u>	<u>662,891</u>	<u>3,022,909</u>	<u>2,360,018</u>
<u>EXPENDITURES</u>				
Current operations:				
General government	1,510	1,300	4,407	(3,107)
Community development	3,925	3,700	2,245	1,455
Housing	446,301	463,707	337,716	125,991
Capital outlay	<u>877,271</u>	<u>877,271</u>	<u>-</u>	<u>877,271</u>
Total Expenditures	<u>1,329,007</u>	<u>1,345,978</u>	<u>344,368</u>	<u>1,001,610</u>
Excess (deficiency) of revenues over expenditures	<u>(666,116)</u>	<u>(683,087)</u>	<u>2,678,541</u>	<u>3,361,628</u>
Fund balance - July 1, 2009			<u>3,537,224</u>	
Fund balance - June 30, 2010			<u>\$ 6,215,765</u>	



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

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

We have audited the financial statements of the Redevelopment Agency of the Town of Windsor, a component unit of the Town of Windsor, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Redevelopment Agency of the Town of Windsor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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*.

PRINCIPALS

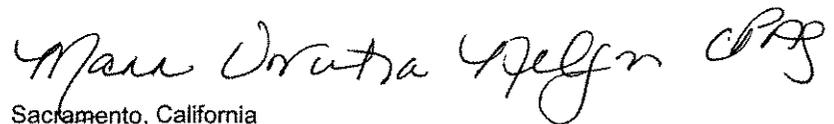
Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

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

We noted certain matters that we reported to management of the Redevelopment Agency of the Town of Windsor in a separate letter dated December 6, 2010.

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

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

Handwritten signature of Marc Urutza Nelson in cursive script.

Sacramento, California
December 6, 2010

THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Finding 2010-1: Redevelopment Notes

Criteria

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

Condition

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

Cause

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

Recommendation

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

Management's Response

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

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2010**

There were no findings to report as of June 30, 2009.