

THE REDEVELOPMENT AGENCY  
OF THE TOWN OF WINDSOR

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR  
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

## INDEPENDENT AUDITOR'S REPORT

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, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 opinions.

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, 2011, 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.

As described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* in fiscal 2011.

As explained further in Notes 1 and 8, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The accompanying Supplemental Information, the computation of the Low and Moderate Income Housing Fund's excess surplus, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Odeberg Ullakko Murawski & Co LLP*

San Francisco, California  
November 28, 2011

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011. 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 is 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.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NET ASSETS**

JUNE 30, 2011 AND 2010

	2011	2010
Current and other assets	\$ 20,940,005	\$ 19,656,626
Capital assets	4,822,793	4,411,207
Total Assets	25,762,798	24,067,833
Current and other liabilities	1,031,987	939,730
Long term liabilities	10,009,541	8,688,625
Total Liabilities	11,041,528	9,628,355
Net Assets:		
Invested in capital assets, net of related debt	(277,206)	(1,048,793)
Restricted for:		
Low and moderate income housing	6,555,656	6,215,765
Debt service	6,078,859	8,169,878
Unrestricted	2,363,961	1,102,628
Total Net Assets	\$ 14,721,270	\$ 14,439,478

**CHANGES IN NET ASSETS**

JUNE 30, 2011 AND 2010

	2011	2010
Revenues:		
General:		
Property taxes	\$ 3,058,320	\$ 3,310,699
Charges for service	150	-
Use of money and property	88,366	241,879
Other revenue	146,424	114,482
Transfer from the Town of Windsor	517,136	487,155
Total Revenues	3,810,396	4,154,215
Expenses:		
General government	2,531	4,407
Community development	910,730	1,038,652
Housing	324,467	412,833
Interest and fiscal charges	448,803	397,144
SERAF Shift to County	287,650	1,397,155
Transfer to the Town of Windsor	1,554,423	1,245,021
Total Expenses	3,528,604	4,495,212
Change in Net Assets	\$ 281,792	\$ (340,997)

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR  
(A COMPONENT UNIT OF THE TOWN OF WINDSOR)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following items impacted Agency-wide revenues for the fiscal year ended June 30, 2011:

- Incremental tax revenues were down from the previous fiscal year due to lower assessed property 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/Moderate 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 Projects, 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 \$226,704.

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 \$519,847 were spent on capital projects.

For analytical purposes, fund balances of the governmental funds as of June 30, 2010 have been reclassified in the "Net Assets" table on page 5.

**BUDGETARY HIGHLIGHTS**

There was a \$165,750 increase in appropriations between the original budget and the final amended budget for the biennium ended June 30, 2011. The majority of such increases are a result of additional costs related to capital project completions funded by the RDA.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital assets - The Agency's investment in capital assets for its governmental activities, as of June 30, 2011, amounted to \$4,822,793, net of accumulated depreciation. This was an increase of \$411,586 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 \$10,396,749 at June 30, 2011. The Agency's outstanding long-term liabilities increased by \$1,342,124 in fiscal year 2011 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, 2011

**ASSETS**

Cash and cash equivalents	\$ 12,935,295
Restricted cash and cash equivalents	196,361
Investments	1,675,110
Accounts receivable	254,019
Interest receivable	9,247
Deferred charges - net of accumulated amortization	451,323
Notes and loans receivable	5,418,210
Prepaid expenses	440
Capital assets	
Land and construction in progress	2,977,998
Capital assets, net of depreciation	<u>1,844,795</u>
Total capital assets	<u>4,822,793</u>
<b>Total Assets</b>	<b><u><u>\$ 25,762,798</u></u></b>

**LIABILITIES**

Accounts payable and accrued expenses	\$ 112,649
Due to Town of Windsor	179,460
Interest payable	352,670
Long-term liabilities:	
Due within one year	387,208
Due in more than one year	<u>10,009,541</u>
Total Long-term liabilities	<u>10,396,749</u>
<b>Total Liabilities</b>	<b><u><u>11,041,528</u></u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	(277,207)
Restricted for:	
Low and Moderate Housing	6,555,656
Debt Service	6,078,859
Unrestricted	<u>2,363,962</u>
<b>Total Net Assets</b>	<b><u><u>14,721,270</u></u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 25,762,798</u></u></b>

See accompanying notes to 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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:				
General government	\$ 2,531	\$ 150	\$ -	\$ (2,381)
Community development	910,730	-	-	(910,730)
Contributions to other governments	287,650	-	-	(287,650)
Housing	324,467	-	-	(324,467)
Interest and fiscal charges	448,803	-	-	(448,803)
<b>Total Governmental Activities</b>	<b>\$ 1,974,181</b>	<b>\$ 150</b>	<b>\$ -</b>	<b>\$ (1,974,031)</b>
General revenues:				
Taxes:				
Incremental property taxes				\$ 3,058,320
Use of money and property				88,366
Miscellaneous				146,424
Transfers:				
Transfers from other funds of the Town				517,136
Transfers to other funds of the Town				(1,554,423)
<b>Total general revenues and transfers</b>				<b>2,255,823</b>
Change in net assets				281,792
Net assets - July 1, 2010				14,439,478
Net assets - June 30, 2011				<b>\$ 14,721,270</b>

See accompanying notes to financial statements

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	<u>Housing Set- Aside Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 4,839,077	\$ 5,928,305	\$ 2,167,913	\$ 12,935,295
Restricted cash and cash equivalents	-	143,500	52,861	196,361
Investments	1,675,110	-	-	1,675,110
Accounts receivable	250,694	-	3,325	254,019
Interest receivable	-	6,614	2,633	9,247
Notes receivable	5,418,210	-	-	5,418,210
Prepaid expenses	-	440	-	440
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 12,183,091</u>	<u>\$ 6,078,859</u>	<u>\$ 2,226,732</u>	<u>\$ 20,488,682</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
Accounts payable	\$ 13,781	\$ -	\$ 61,292	\$ 75,073
Due to Town of Windsor	179,460	-	-	179,460
Accrued expenditures	15,984	-	21,592	37,576
Deferred revenue	5,418,210	-	-	5,418,210
Total Liabilities	<u>5,627,435</u>	<u>-</u>	<u>82,884</u>	<u>5,710,319</u>
FUND BALANCES:				
Nonspendable	-	440	-	440
Restricted for:				
Low and moderate income housing	6,555,656	-	-	6,555,656
Debt service	-	6,078,419	-	6,078,419
Assigned for RDA Capital projects	-	-	2,143,848	2,143,848
Total Fund Balances	<u>6,555,656</u>	<u>6,078,859</u>	<u>2,143,848</u>	<u>14,778,363</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 12,183,091</u>	<u>\$ 6,078,859</u>	<u>\$ 2,226,732</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 \$1,008,119). 4,822,793

Revenues which are deferred on the fund balance sheet because they are not available currently are taken into revenue in the Statement of Activities. 5,418,210

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	451,323
Bonds payable	(5,100,000)
Loans payable	(3,933,958)
Accrued interest on bonds and loans payable	(352,670)
Accrued compensated absences	(49,791)
	<u>                    </u>

Net assets of governmental activities \$ 14,721,270

See accompanying notes to 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, 2011

	<u>Housing Set- Aside Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
<b><u>REVENUES</u></b>				
Property tax incremental revenue	\$ 611,664	\$ -	\$ 2,446,656	\$ 3,058,320
Charges for services	-	-	150	150
Use of money and property	56,367	3,466	28,533	88,366
Other revenues	-	-	-	-
Total Revenues	<u>668,031</u>	<u>3,466</u>	<u>2,475,339</u>	<u>3,146,836</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General government	2,531	-	-	2,531
Community development	1,398,193	-	1,070,068	2,468,261
Contributions to other governments	287,650	-	-	287,650
Housing	323,724	-	743	324,467
Debt service:				
Principal	-	360,000	-	360,000
Interest and fiscal charges	-	226,704	-	226,704
Capital outlay	-	-	519,847	519,847
Total Expenditures	<u>2,012,098</u>	<u>586,704</u>	<u>1,590,658</u>	<u>4,189,460</u>
Excess (deficiency) of revenues over expenditures	<u>(1,344,067)</u>	<u>(583,238)</u>	<u>884,681</u>	<u>(1,042,624)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds of the Town	-	-	517,136	517,136
Transfers to other funds of the Town	-	(1,507,781)	(46,642)	(1,554,423)
Proceeds from loan	1,683,958	-	-	1,683,958
Total Other Financing Sources (Uses)	<u>1,683,958</u>	<u>(1,507,781)</u>	<u>470,494</u>	<u>646,671</u>
Net change in fund balance	339,891	(2,091,019)	1,355,175	(395,953)
Fund balances - July 1, 2010	<u>6,215,765</u>	<u>8,169,878</u>	<u>788,673</u>	<u>15,174,316</u>
Fund balances - June 30, 2011	<u>\$ 6,555,656</u>	<u>\$ 6,078,859</u>	<u>\$ 2,143,848</u>	<u>\$ 14,778,363</u>

See accompanying notes to financial statements

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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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, 2011

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	\$ (395,953)
<p>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.</p>	
Capital asset purchases	517,009
Depreciation expense	(105,423)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>	
Bond principal payments	360,000
<p>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.</p>	
Proceeds from notes payable	(1,683,958)
<p>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.</p>	
Amortization of deferred charges	(34,278)
<p>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.</p>	
Additions to notes receivable, including accrued interest	1,830,382
<p>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:</p>	
Accrued compensated absences	(18,166)
Interest payable on long-term liabilities	(187,821)
Change in net assets of governmental activities	\$ 281,792

See accompanying notes to financial statements

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**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.

In June 2011, the Governor of the State of California signed legislation to provide for the eventual dissolution of redevelopment agencies. This legislation provides for the continued operation of the Agency is certain payments are made to the State of California. Those agencies that elect not to make such payments will not be permitted to initiate new projects, obligations, or activities after July 1, 2011. Such agencies will only be permitted to pay existing obligations as defined by this legislation. This legislation is the subject of certain lawsuits that challenge its constitutionality. The Agency's plans regarding this matter are described in Note 8.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the state.

**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.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 funds of the financial reporting entity are described below:

**Governmental Funds**

Housing Set-Aside Special Revenue 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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Project Fund - The Capital Project Fund is the general operating fund of the Agency and is always classified as a major fund. This 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.

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**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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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, 2011. 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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The accounts of the Agency 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 account 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 March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). 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 the resources reported in governmental funds. The requirements of this statement were incorporated into the presentation of the financial statements for June 30, 2011. The composition and classification of the various component amounts that comprise the fund balance differ from prior year presentations. Please see Note 9 and the Balance Sheet for the new presentation of fund balance components.

Governmental Fund Type Definitions

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Based upon the above, the Agency determined that the Housing Set-Aside Special Revenue Fund meets the definition of Special Revenue funds under GASB 54. The Agency has also determined that Capital Project Fund meets the definition of Capital Project funds and the Debt Service Fund meets the definition of the Debt Service funds under GASB 54.

Spending Policy

The Agency'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 Agency does not have a formal policy for its use of unrestricted fund balance amounts. The Agency 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.

**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.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2011 were classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 12,935,295
Restricted cash and cash equivalents	196,361
Investments	<u>1,675,110</u>
Total cash and investments	<u><u>\$ 14,806,766</u></u>

Cash and investments were carried at fair value as of June 30, 2011 and consisted of the following:

Cash in investment pools	\$ 12,988,156
Cash with fiscal agent	143,500
Investments	<u>1,675,110</u>
Total cash and investments	<u><u>\$ 14,806,766</u></u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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**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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

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**NOTE 2: CASH AND INVESTMENTS (Continued)**

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.

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, 2011:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Cash in Investment Pools (LAIF and County)	\$ 12,935,295	\$ -	\$ 12,935,295
Investments	-	1,675,110	1,675,110
Held by bond trustee:			
Money market funds	196,361	-	196,361
	<u>\$ 13,131,656</u>	<u>\$ 1,675,110</u>	<u>\$ 14,806,766</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.

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**NOTE 2: CASH AND INVESTMENTS (Continued)**

Disclosures Relating to Credit Risk

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

	Total	Ratings as of Fiscal Year End		
		S&P	Moody's	N/A
Cash in Investment Pools (LAIF and County)	\$ 12,935,295			Not rated
Investments	1,675,110	AAA	Aaa	
Held by bond trustee:				
Money market funds	<u>196,361</u>			Not rated
	<u><u>\$ 14,806,766</u></u>			

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. Investments in anyone 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	\$ 4,976,660
Federal National Mortgage Association	U.S. Agency Securities	6,952,573
General Electric	Corporate Bonds	2,096,660

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**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, 2011, all of the Town's non-interest bearing cash balances were insured by the Federal Deposit Insurance Corporation due to a temporary program in effect from December 31, 2010 through December 31, 2012, under which there is no limit to the amount of insurance coverage for eligible accounts.

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.

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**NOTE 3: TRANSACTIONS BETWEEN THE TOWN AND RDA**

Transactions between the Town of Windsor and the Redevelopment Agency during the fiscal year ended June 30, 2011 were as follows:

<u>Transactions between the Redevelopment Agency and the Town of Windsor</u>	<u>Amount</u>
Due to Town	<u>\$ (179,460)</u>
Net Due To	<u><u>\$ (179,460)</u></u>
Transfer from the RDA Debt Service Fund to the Town's Lighting & Landscaping Assessment Fund for tax increment revenue	\$ (3,624)
Transfer from the RDA Debt Service Fund to the Town's Debt Service Fund for debt service	(987,021)
Transfer from the RDA Debt Service Fund to the Town's General Fund for debt service	(517,136)
Transfer from the RDA Capital Project Fund to the Town's General Fund for community services event	(25,118)
Transfer from the RDA Capital Project Fund to the Town's Debt Service Fund for base rental payments	(21,524)
Transfer from the Town's General Fund to the RDA Capital Project Fund	<u>517,136</u>
Net Transfers	<u><u>\$ (1,037,287)</u></u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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**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, 2011 and are explained in detail below.

	Notes Receivable
Forest Winds Apartments	\$ 537,057
Winter Creek Village Apartments	1,000,267
Vinecrest	983,838
Twin Oaks	175,000
Manzanita Self-help	2,722,048
Total Notes Receivable	\$ 5,418,210

**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, 2011 was \$197,057.

**B. Winter Creek Village Apartments Notes Receivable**

In January 2003, various loans were granted to Burbank for the Winter Creek Village Apartment Project. The original 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, 2011 was \$68,068.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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**NOTE 4: NOTES RECEIVABLE (Continued)**

**C. Vinecrest Note Receivable**

In January 1997, the Agency made payments to Burbank 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, 2011 was \$295,838.

**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 to assist in the development of a 22-unit self-help housing project (Manzanita), whereby the Agency will loan Burbank up to \$4.6 million. The total amount loaned as of June 30, 2011 was \$2,722,048, including interest of \$88,090. The loan is due April 1, 2013 and is secured by the land. Interest on the loan is 3% simple deferred interest and included in the balance at June 30, 2011.

As of June 30, 2011, loans receivable and related deferred revenue in the Low and Moderate Income Housing Fund totaled \$5,418,210.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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**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, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 2,236,279	\$ -	\$ -	\$ 2,236,279
Construction-in-progress	414,996	517,009	(190,286)	741,719
	<u>2,651,275</u>	<u>517,009</u>	<u>(190,286)</u>	<u>2,977,998</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings	330,000	-	-	330,000
Improvements	2,332,628	190,286	-	2,522,914
	<u>2,662,628</u>	<u>190,286</u>	<u>-</u>	<u>2,852,914</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings	(62,700)	(6,600)	-	(69,300)
Improvements	(839,996)	(98,823)	-	(938,819)
	<u>(902,696)</u>	<u>(105,423)</u>	<u>-</u>	<u>(1,008,119)</u>
Total accumulated depreciation				
Total capital assets, net	<u>\$ 4,411,207</u>	<u>\$ 601,872</u>	<u>\$ (190,286)</u>	<u>\$ 4,822,793</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, 2011.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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**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, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Tax Allocation Bonds					
Series 1998	\$ 1,435,000		\$ (150,000)	\$ 1,285,000	\$ 160,000
Series 2004	4,025,000		(210,000)	3,815,000	215,000
Total Bonds Payable	<u>5,460,000</u>	<u>-</u>	<u>(360,000)</u>	<u>5,100,000</u>	<u>375,000</u>
Long-term advances from the Town of Windsor	1,313,000	-	-	1,313,000	-
Cal HFA Loans Payable	2,250,000	1,683,958		3,933,958	-
Compensated Absences	<u>31,625</u>	<u>24,166</u>	<u>(6,000)</u>	<u>49,791</u>	<u>12,208</u>
Total Long-Term Liabilities	<u>\$ 9,054,625</u>	<u>\$ 1,708,124</u>	<u>\$ (366,000)</u>	<u>\$ 10,396,749</u>	<u>\$ 387,208</u>

A description of the long-term liabilities related to governmental activities at June 30, 2011 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, 2011 was \$1,285,000.

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**NOTE 6: LONG-TERM LIABILITIES (Continued)**

The scheduled annual minimum debt service requirements at June 30, 2011 were as follows:

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 160,000	\$ 56,758	\$ 216,758
2013	165,000	49,525	214,525
2014	175,000	41,788	216,788
2015	125,000	34,762	159,762
2016	125,000	28,763	153,763
2017-2021	455,000	56,670	511,670
2022-2025	80,000	7,800	87,800
<b>Total</b>	<b>\$ 1,285,000</b>	<b>\$ 276,066</b>	<b>\$ 1,561,066</b>

**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, 2011 was \$3,815,000.

The scheduled annual minimum debt service requirements at June 30, 2011 were as follows:

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 215,000	\$ 149,752	\$ 364,752
2013	220,000	143,062	363,062
2014	230,000	135,745	365,745
2015	235,000	127,839	362,839
2016	245,000	119,375	364,375
2017-2021	1,355,000	445,740	1,800,740
2022-2025	1,315,000	121,838	1,436,838
<b>Total</b>	<b>\$ 3,815,000</b>	<b>\$ 1,243,351</b>	<b>\$ 5,058,351</b>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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**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, 2011 were as follows:

<b>For the Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 375,000	\$ 206,510	\$ 581,510
2013	385,000	192,587	577,587
2014	405,000	177,533	582,533
2015	360,000	162,601	522,601
2016	370,000	148,138	518,138
2017-2021	1,810,000	502,410	2,312,410
2022-2025	1,395,000	129,638	1,524,638
<b>Total</b>	<b>\$ 5,100,000</b>	<b>\$ 1,519,417</b>	<b>\$ 6,619,417</b>

**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 \$451,323 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, 2011 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, 2011 was \$1,313,000.

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**NOTE 6: LONG-TERM LIABILITIES (Continued)**

**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 3.50% simple per annum and only charged on the loan amount disbursed. As of June 30, 2011, 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, 2011, the outstanding amount of the loan payable was \$2,633,958. 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.

**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 2020. Total scheduled base rental payments under the Reimbursement Agreement are as follows:

<u>For the Year Ending June 30</u>	<u>Base Rental Payments</u>
2012	\$ 969,521
2013	968,221
2014	965,921
2015	967,521
2016	966,411
2017-2020	<u>4,799,726</u>
Total	<u>\$ 9,637,321</u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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JUNE 30, 2011

**NOTE 8: TRANSACTIONS WITH THE STATE OF CALIFORNIA**

SERAF Shift for fiscal year 2009-10 and 2010-11

On July 23, 2009, the State adopted legislation requiring a shift of monies during fiscal years 2009-10 and 2010-11 to be deposited into the County “Supplemental” Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State’s Proposition 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation. This decision is in the process of being appealed by CRA and its member agencies.

The payment of the SERAF was due on May 10, 2011, for fiscal year 2010-11 and it was made in the amount of \$287,650.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State’s budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city “may use any available funds not otherwise obligated for other uses” to make this payment. The Town of Windsor intends to use available monies of its redevelopment agency for this purpose and the Town and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or 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 Assembly Bill X1 26.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.”

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE 8: TRANSACTIONS WITH THE STATE OF CALIFORNIA (Continued)**

A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 3, 2011, the Town Council unanimously passed a motion by title only, an ordinance authorizing the Town to make certain remittances to the County Auditor Controller in accordance with Health and Safety Code Section 34194 and to take all other actions required in order to continue redevelopment activities in the Town of Windsor. This motion indicates that the Town will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. See Note 12 for further discussion.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature’s stated intent to eliminate California redevelopment agencies and to reduce their funding.

**NOTE 9: FUND BALANCE**

As noted in Note 1, in fiscal year 2011, 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.

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**NOTE 9: FUND BALANCE (Continued)**

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

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

Fund balances classifications at June 30, 2011 are stated on the Balance Sheet.

**NOTE 10: RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Agency participates in the Redwood Empire Municipal Insurance Fund (REMIF), a joint power agency (risk-sharing pool) as a component unit of the Town. The purpose of REMIF is to spread the adverse effects of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. The Agency, through cost allocations from the Town, contributes its pro-rata share of anticipated losses to a pool administered by REMIF. There have been no claims during the past three years that have exceeded excess insurance coverage. Additional disclosures required under Governmental Accounting Standards Board Statement Nos. 10 and 30 and information regarding the Town's insurance is presented in the Town's basic financial statements, which can be obtained from the Town of Windsor, Administrative Services Department, P.O. Box 100, Windsor, CA 95492-0100.

**NOTE 11: EXCESS OF EXPENDITURES OVER FUND APPROPRIATIONS**

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Housing Set-Aside			
General government	-	2,531	(2,531)
Contributions to other governments	-	287,650	(287,650)
Housing	254,532	323,724	(69,192)

The excess expenditures for fiscal 2011 were funded by available financial resources.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE 12: SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through November 28, 2011, the date the financial statements were deemed available for issuance.

As discussed in Note 8, on August 3, 2011, the Town Council unanimously passed a motion by title only, an ordinance authorizing the Town to make certain remittances to the County Auditor Controller in accordance with Health and Safety Code Section 34194 and to take all other actions required in order to continue redevelopment activities in the Town of Windsor. This motion indicates that the Town will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the Town is estimated to be \$1,100,000 with one half due on January 15, 2012 and the other half due on May 15, 2012. Thereafter, an estimated \$270,000 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in the tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. This ordinance also requires the Agency to transfer annual portions of its tax increment to the Town in amounts not to exceed the annual community remittance payments to enable the Town, directly or indirectly, to make the annual remittance payments. The Town Council does not intend, by enactment of this ordinance, to pledge any of its General Fund revenues or assets to make the remittance payments. Assembly Bill X1 27 allows a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

On August 25, 2011, the Town of Windsor Redevelopment Agency adopted Resolution No. 2831-11 adopting an Enforceable Obligation Payment Schedule (EOPS). On September 27, 2011, the Town of Windsor Redevelopment Agency adopted Resolution No. 2844-11 adopting an Amended Enforceable Obligation Payment Schedule (EOPS). The amended schedule is available to the public.

On or about September 29, 2011 a Complaint for Declaratory and Injunctive Relief and Petition for Writ of Mandate was filed by the City of Cerritos and its Agency on behalf of several state redevelopment agencies, including the Redevelopment Agency of the Town of Windsor, challenging the constitutionality of Assembly Bill X1 26 and 27. This action was filed with the Sacramento Superior Court.

The nature and extent of the operation of redevelopment agencies in the State of California beyond the time of the initial stay, the second stay by the California Supreme Court and the litigation filed by the City of Cerritos and its Agency is unclear and it appears that the operation and future viability of redevelopment agencies in California are dependent upon the outcome of these lawsuits.

**REQUIRED SUPPLEMENTAL INFORMATION**

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
 HOUSING SET-ASIDE SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>2010-2011 Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Property tax increment revenue	\$ 623,275	\$ 623,275	\$ 611,664	\$ (11,611)
Use of money and property	13,679	13,679	-	(13,679)
Other revenues	-	-	56,367	56,367
Total Revenues	<u>636,954</u>	<u>636,954</u>	<u>668,031</u>	<u>31,077</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General government	-	-	2,531	(2,531)
Community development	1,885,470	1,892,220	1,398,193	494,027
Contributions to other governments	-	-	287,650	(287,650)
Housing	254,532	254,532	323,724	(69,192)
Capital outlay	-	-	-	-
Total Expenditures	<u>2,140,002</u>	<u>2,146,752</u>	<u>2,012,098</u>	<u>134,654</u>
Excess (deficiency) of revenues over expenditures	<u>(1,503,048)</u>	<u>(1,509,798)</u>	<u>(1,344,067)</u>	<u>(103,577)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds from loan	-	-	1,683,958	1,683,958
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,683,958</u>	<u>1,683,958</u>
Net change in fund balance	<u>\$ (1,503,048)</u>	<u>\$ (1,509,798)</u>	339,891	<u>\$ 1,580,381</u>
Fund balance - July 1, 2010			<u>6,215,765</u>	
Fund balance - June 30, 2011			<u>\$ 6,555,656</u>	

**SUPPLEMENTARY INFORMATION**

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
EXCESS SURPLUS CALCULATION  
LOW AND MODERATE INCOME HOUSING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Beginning Fund Equity		\$ 6,215,765
Add: 2010/11 Revenues		2,351,989
Less: 2010/11 Expenses		<u>(2,012,098)</u>
Net Resources Available		6,555,656
Less: Encumbrances (from Enforceable Obligation Payment Schedule)		
CalHFA RDLP Loan (Remaining Balance)	\$ (1,874,542)	
Burbank Housing/Windsor Redwoods (Return Proceeds)	(944,082)	
Burbank Help Loan (Return Proceeds)	(1,308,397)	
Burbank Housing/ Windsor Redwoods (Permanent Loan)	(900,000)	
Burbank Housing/Windsor Redwoods (Gap Financing)	(1,000,000)	
Burbank Housing/Manzanita (Self Help Loan)	(750,000)	
Staffing & Administrative Expenses (Low/Mod Housing)	<u>(365,261)</u>	
		<u>(7,142,282)</u>
Available Fund Equity Subject to Excess Surplus		<u><u>NONE</u></u>

## **OTHER REPORTS**

**INDEPENDENT AUDITOR’S 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 (“Agency”), a component unit of the Town of Windsor, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. 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 Agency’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 Agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency’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 identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses (2011-01), that we consider to be a material weakness in internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency’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, 2011*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies* issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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*.

The Town of Windsor's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency'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 the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Odeberg Ullakko Muravishi & Co LLP

San Francisco, California  
November 28, 2011

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL BASED ON AN AUDIT OF  
COMPLIANCE PERFORMED IN ACCORDANCE WITH *GUIDELINES FOR COMPLIANCE  
AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES, 2011*,  
ISSUED BY THE STATE CONTROLLER**

We have audited the Redevelopment Agency of the Town of Windsor's (the "Agency") compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, 2011*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency's redevelopment program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements. In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the Agency's redevelopment program for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

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

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Agency Board, others within the entity, the Town Council, the California State Controller's Office, and the California Department of Housing and Community Development, and is not intended to be and should not be used by anyone other than these specified parties.

*Odeberg Ullakko Muravish & Co LLP*

San Francisco, California  
November 28, 2011

## **SCHEDULE OF FINDINGS AND RESPONSES**

**THE REDEVELOPMENT AGENCY OF THE TOWN OF WINDSOR**  
**(A COMPONENT UNIT OF THE TOWN OF WINDSOR)**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CURRENT YEAR FINDINGS:**

**ITEM 2011-01: Redevelopment Capital Assets**

**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 capital assets, we noted that the Agency was not able to identify assets that total ending improvements balance from prior year.

**Cause**

The Administrative Services Department tracks capital assets for the Town and Agency; however, there is no segregation between the Town and Agency's capital assets.

**Recommendation**

We recommend the Administrative Services Department identify capital assets related to the Agency.

**Management's Response**

Based on information provided by our previous auditors, we will identify assets that total ending improvements balance from the prior year. This information will be added to our capital asset spreadsheets and future activity will include the fund number so we can identify all capital assets related to the Agency going forward.

**PRIOR YEAR FINDINGS:**

**ITEM 2010-01: 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, the previous auditor noted that the Agency was not recording all of the note activity related to the Burbank housing note. 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 Administrative Services Department was not made aware of all the note activity in order to properly record the transactions.

**Recommendation**

The previous auditor recommended that the Planning Department, along with the Administrative Services 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 Administrative Services Department and provide them with sufficient information to record the transactions.

**Management's Response**

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