WINTERS COMMUNITY DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2011

WINTERS COMMUNITY DEVELOPMENT AGENCY
Financial Statements
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of the Winters Community Development Agency
Winters Community Development Agency
Winters, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Winters Community Development Agency, a component unit of the City of Winters, California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Agency's basic financial statements, 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 and the standards applicable to financial audits contained in *Governmental 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 as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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 Winters Community Development Agency as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2010, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 59, *Financial Instruments Omnibus.*

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 our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control on financial

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reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Housing Set-Aside Special Revenue Fund on page 25 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 basic financial statements. The budgetary comparison Schedule of the Capital Projects Fund and the Computation of Low and Moderate Income Housing Fund Excess Surplus are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison Schedule of the Capital Projects Fund and the Computation of Low and Moderate Income Housing Fund Excess Surplus are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
November 28, 2011

WINTERS COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

	Governmental Activities
Cash and investments	$ 472,445
Restricted cash and investments	5,301,230
Interest receivable	27,515
Accounts receivable	65,987
Land held for resale	127,299
Notes receivable	436,438
Deferred charges - net of accumulated amortization	835,783
Capital assets - net of accumulated depreciation	11,871,187
Total Assets	19,137,884

LIABILITIES

Accounts payable	79,688
Interest payable	247,689
Due to City of Winters	1,562,346
Long-term liabilities:	
Due in one year	857,901
Due in more than one year	17,473,095
Total Liabilities	20,220,719

NET ASSETS

Restricted for:	
Debt service	767,699
Low and moderate income housing	1,714,986
Total restricted net assets	2,482,685
Unrestricted	(3,565,520)
Total Net Assets (Deficit)	$ (1,082,835)

See accompanying notes to financial statements

WINTERS COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		Program Revenue			Net (Expense)
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					
Expenses:					
Legal and professional	$ 47,431	$ -	$ -	$ -	$ (47,431)
Administration	530,688				(530,688)
Community development	718,610				(718,610)
Pass-through agreements	278,413				(278,413)
Interest on long-term debt	778,273				(778,273)
Total	$ 2,353,415	$ -	$ -	$ -	(2,353,415)
General revenues:					
Taxes:					
Incremental property taxes					1,610,359
Use of money and property					83,250
Other					2,567
Total general revenues					1,696,176
Change in Net Assets					(657,239)
Net Assets - Beginning of Fiscal Year					2,183,565
Prior Period Adjustments					(2,609,161)
Net Assets (Deficit) - Beginning of Fiscal Year, restated					(425,596)
Net Assets (Deficit) - End of Fiscal Year					$ (1,082,835)

See accompanying notes to financial statements

WINTERS COMMUNITY DEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Housing Set-Aside Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ -	$ 472,445	$ -	$ 472,445
Restricted cash and investments	1,282,002	521,472	3,497,756	5,301,230
Interest receivable	1,269	21,471	4,775	27,515
Accounts receivable	13,058		52,929	65,987
Notes receivable	369,838		66,600	436,438
Land held for resale	127,299			127,299
Total Assets	$ 1,793,466	$ 1,015,388	$ 3,622,060	$ 6,430,914
LIABILITIES				
Accounts payable	$ -	$ -	$ 79,688	$ 79,688
Due to City of Winters	78,480		1,483,866	1,562,346
Deferred revenue	369,838		66,600	436,438
Total Liabilities	448,318		1,630,154	2,078,472
FUND BALANCES				
Nonspendable: Land held for resale	127,299			127,299
Restricted for low and moderate income housing	1,217,849			1,217,849
Restricted for debt service		1,015,388		1,015,388
Restricted for capital projects			1,991,906	1,991,906
Total Fund Balances	1,345,148	1,015,388	1,991,906	4,352,442
Total Liabilities and Fund Balances	$ 1,793,466	$ 1,015,388	$ 3,622,060	$ 6,430,914

See accompanying notes to financial statements

WINTERS COMMUNITY DEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

FUND BALANCES - GOVERNMENTAL FUNDS	$	4,352,442
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:		
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.		11,871,187
Certain notes receivable are not available to pay for current period expenditures and therefore, are offset by deferred revenue in the Governmental Funds.		436,438
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the Governmental Funds.		(247,689)
The assets and liabilities below are not due and payable in the current period and therefore, are not reported in the Governmental Funds:		
Deferred charges, net of accumulated amortization		835,783
Bonds payable		(16,835,000)
Advances from the City of Winters		(1,483,350)
Compensated absences		(12,646)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	(1,082,835)

See accompanying notes to financial statements

WINTERS COMMUNITY DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Housing Set-Aside Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property tax increment revenue	$ 322,072	$ -	$ 1,288,287	$ 1,610,359
Use of money and property	5,354	34,957	42,939	83,250
Miscellaneous	1,000		1,567	2,567
Total Revenues	328,426	34,957	1,332,793	1,696,176
EXPENDITURES				
Current:				
Legal and professional	13,798		33,633	47,431
Administration	254,102		276,586	530,688
Community development	300,500		247,924	548,424
Pass-through agreements			278,413	278,413
Capital outlay			5,382,574	5,382,574
Debt service:				
Principal	85,000		2,278,000	2,363,000
Interest	196,288		554,339	750,627
Total Expenditures	849,688		9,051,469	9,901,157
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(521,262)	34,957	(7,718,676)	(8,204,981)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt			781,448	781,448
Transfer from City of Winters			1,893,000	1,893,000
Transfers in			1,015,409	1,015,409
Transfers out		(42,268)	(973,141)	(1,015,409)
Total Other Financing Sources (Uses)		(42,268)	2,716,716	2,674,448
NET CHANGE IN FUND BALANCES	(521,262)	(7,311)	(5,001,960)	(5,530,533)
FUND BALANCES, BEGINNING OF FISCAL YEAR	1,866,410	1,022,699	6,993,866	9,882,975
FUND BALANCES, END OF FISCAL YEAR	$ 1,345,148	$ 1,015,388	$ 1,991,906	$ 4,352,442

See accompanying notes to financial statements

WINTERS COMMUNITY DEVELOPMENT AGENCY
RECONCILIATION OF THE
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	$ (5,530,533)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSET TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are therefore added back to fund balance	5,382,471
Depreciation expense not reported in Governmental Funds	(105,799)
Loss on transfer of capital assets to City of Winters	(61,533)
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in Governmental Funds (net change during current period):	
Proceeds from advance	(781,448)
Repayment of advance	1,893,000
Transfer of land to City of Winters to repay the advance	(1,893,000)
Deferred charges – amortization	(32,686)
Interest payable	5,040
Principal repayment of bonds	470,000
Compensated absences	(2,751)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (657,239)

See accompanying notes to financial statement

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Winters Community Development Agency (Agency) was established under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000). 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 City in a separate capacity as members of the Community Development Agency (Board). All staff work is performed by the officials and staff of the City, or by consultants to the Agency.

The Agency is a separate legal entity subject to oversight by the City Council of Winters (Council). As the primary governing unit of the Agency, the Council exercises significant financial and management control over the Agency.

The Agency is an integral part of the City of Winters and, accordingly, the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's 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 and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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's funds. 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.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

Governmental Accounting Standards Board Statement No. 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all of its funds are major funds.

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

Housing Set-Aside Special Revenue Fund – This fund accounts for the 20% tax increment income which will be used by the Agency for the purposes of increasing and improving the City's supply of housing for persons and families of very low or moderate income.

Capital Projects Fund – This fund accounts for redevelopment project and capital outlays.

Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issues.

D. Basis of Accounting

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.

Government 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 fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt is reported as *other financing sources.*

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

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accounting Policies

Revenue

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

a. 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.

b. 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 City 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 City's property tax through Yolo 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 City. 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 City.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and federal governments, interest income, and the issuance of Agency debt.

Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations and Tax Levies

The California Community Redevelopment Law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increases in the assessed valuation of a project over the "frozen base" may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of a project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because a permanent reduction of the assessed valuation will cause a concurrent reduction of the frozen base so that the production of tax increment income from new development will not be impaired.

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accounting Policies (Continued)

Tax Levy Dates

All lien dates attach annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and 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 Collections

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

F. Budgets and Budgetary Accounting

The budget for the Agency is adopted by the City Council members, in their capacity as members of the Community Development 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 the bond issue constitutes a legally authorized "nonappropriated budget".

Expenditures in excess of budgeted amounts are allowed by law but must be approved individually by the City Manager.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs are deferred and amortized over the life of the bonds. This item is reported as deferred charges and is amortized over the term of the related debt.

H. 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 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized by the Agency.

J. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

Buildings and improvements are depreciated using the straight-line method over estimated useful lives of 50 years. Improvements other than buildings are depreciated over 10 years using the straight-line method. Infrastructure is depreciated over 50 years using the straight-line method.

The capitalization policy of the Agency is as follows:

Type	Cost
Infrastructure	$200,000 or more
Equipment	$ 5,000 or more
Improvements	$ 5,000 or more

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncements

The Agency implemented the requirements of GASB Statements No. 54 and No. 59 during the fiscal year ended June 30, 2011.

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*

This Statement is effective for periods beginning June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement affected the Balance Sheet – Governmental Funds for the fiscal year ended June 30, 2011 by changing the classification of the fund balances.

GASB Statement No. 59 – *Financial Instruments Omnibus*

For the fiscal year ended June 30, 2011, the Agency implemented GASB Statement No. 59, "Financial Instruments Omnibus". This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

The governmental funds balance sheet includes a reconciliation between fund balances-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets reported in the *Statement of Net Assets* are as follows:

Land	$ 608,994
Construction in progress	7,633,414
Depreciable infrastructure, net of accumulated depreciation	2,779,318
Depreciable improvements, net of accumulated depreciation	849,461
	$11,871,187

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (Continued)

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets (Continued)

Deferred charges are not available to pay for current-period expenditures and therefore are not reported as governmental fund assets. These deferred charges net of accumulated amortization are as follows:

Deferred bond issuance costs, net of accumulated amortization of $175,889	$ 835,783

Certain liabilities, including bonds payable, accrued interest, and compensated absences are not due and payable in the current period and therefore are not reported in the funds. These liabilities are as follows:

Tax allocation bonds payable	$ 16,835,000
Advances from the City of Winters	1,483,350
Accrued interest payable	247,689
Compensated absences payable	12,646
	$ 18,578,685

2. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities.

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and *changes in net assets* of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this difference are as follows:

Capital outlay capitalized for fiscal year	$ 5,382,471
Loss on transfer of capital assets to City of Winters	(61,533)
Current fiscal year depreciation	(105,799)
	$ 5,215,139

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds". The details of this adjustment are as follows:

Amortization of deferred charges	$ (32,686)
Proceeds from advance	(781,448)
Repayment of advance	1,893,000
Transfer of land to City of Winters to repay the advance	(1,893,000)
Repayment of bond principal	470,000
Change in accrued interest payable	5,040
Change in compensated absences	(2,751)
Total long-term debt adjustment	$ (341,845)

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are reported as follows in the Statement of Net Assets:

Cash and investments	$	472,445
Restricted cash and investments		5,301,230
Total	$	5,773,675

Cash and investments held by the Agency at June 30, 2011 consisted of the following:

Cash and investments pooled with the City of Winters	$	472,445
Investments		5,301,230
Total	$	5,773,675

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

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	$50 million	$50 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	15%
Repurchase Agreements	90 days	None	15%
Bankers Acceptance (must be dollar denominated)	9 months	40%	15%
Commercial Paper	6 months	15%	15%
Negotiable Time Certificates of Deposit	5 years	30%	15%
Medium Term Corporate Notes	5 years	30%	10%
Money Market Funds	N/A	15%	15%

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees 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 for investments held 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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	270 days	40%	15%
Commercial Paper	180 days	15%	15%
Money Market Funds	N/A	None	None
Certificates of Deposit	5 years	None	None
Investment Agreements, including GICs	5 years	None	None

Per the Agency's investment policy, if special circumstances arise that necessitate the purchase of securities beyond the five year limitation, the requests must be approved by the Board prior to purchase.

Disclosures 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 manages its exposure to interest rate risk 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 flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity (see the City's Comprehensive Annual Financial Report for risk disclosure relating to the pooled cash and investments with the City of Winters).

		Remaining Maturity (in Months)					
Investment Type	Totals	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State Investment Pool (LAIF)	$ 4,779,758	$ 4,779,758	$ -	$ -	$ -	$ -	$ -
Held by bond trustees:							
Money market funds	21,472	21,472					
Investment contracts:							
IXIS	500,000				500,000		
	$ 5,301,230	$ 4,801,230	$ -	$ -	$ 500,000	$ -	$ -

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 (to a greater degree than already indicated in the information provided above). See the City of Winters' Comprehensive Annual Financial Report for more information regarding these disclosures.

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 Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
State Investment Pool (LAIF)	$ 4,779,758	N/A	$ -	$ -	$ -	$ -	$ 4,779,758
Held by bond trustees:							
Money market funds	21,472	N/A		21,472			
Investment contracts	500,000	N/A					500,000
Total	$ 5,301,230		$ -	$ 21,472	$ -	$ -	$ 5,279,758

Concentration of Credit Risk

The investment policy of the Agency contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than the State Investment Pool) that represent 5% or more of total Agency investments.

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's 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 governmental unit). The fair 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 3 - CASH AND INVESTMENTS (Continued)

See the City of Winters' Comprehensive Annual Financial Report for more information relating to custodial credit risk for amounts reported as cash and investments pooled with the City.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	July 1, 2010 Balance	Additions	Deletions	Prior Period Adjustments	June 30, 2011 Balance
Capital assets, not being depreciated:					
Land	$ 2,563,527	$ -	$ (1,954,533)	$ -	$ 608,994
Construction in progress	2,265,202	5,382,471		(14,259)	7,633,414
Total capital assets, not being depreciated	4,828,729	5,382,471	(1,954,533)	(14,259)	8,242,408
Capital assets, being depreciated:					
Buildings and improvements	1,053,427				1,053,427
Infrastructure	5,431				5,431
Vehicles and equipment	2,993,558				2,993,558
Total capital assets, being depreciated	4,052,416				4,052,416
Less accumulated depreciation for:					
Buildings and improvements	(158,038)	(45,928)			(203,966)
Infrastructure	(5,431)				(5,431)
Vehicles and equipment	(154,369)	(59,871)			(214,240)
Total accumulated depreciation	(317,838)	(105,799)			(423,637)
Total capital assets, being depreciated, net	3,734,578	(105,799)			3,628,779
Total capital assets, net	$ 8,563,307	$ 5,276,672	$ (1,954,533)	$ (14,259)	$ 11,871,187

Depreciation is charged to community development expense in the Statement of Activities.

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Prior Period Adjustment	Balance June 30, 2011	Due within one year
Tax Allocation Bonds						
Series 2004	$ 6,090,000	$ -	$ (230,000)	$ -	$ 5,860,000	$ 235,000
Series 2007	11,215,000		(240,000)		10,975,000	250,000
Advances from City of Winters		781,448	(1,893,000)	2,594,902	1,483,350	372,901
Compensated Absences	9,895	2,751			12,646	
Totals	$ 17,314,895	$ 784,199	$ (2,363,000)	$ 2,594,902	$ 18,330,996	$ 857,901

NOTE 5 - LONG-TERM DEBT (Continued)

Tax Allocation Bonds – Series 2004

On February 27, 2004, the Agency issued $7,820,000 of Tax Allocation Bonds bearing interest between 2.00% and 4.63% and payable semi-annually on March 1 and September 1. These bonds provided funds to aid in the financing of redevelopment in the project area. The Bonds are special obligations of the Agency and are payable as to principal, interest, and any premiums upon redemption at any time exclusively from the pledged tax revenues of the Agency. The outstanding principal balance of the 2004 Series bonds at June 30, 2011 is $5,860,000.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$ 235,000	$ 244,893	$ 479,893
2013	240,000	238,179	478,179
2014	245,000	230,720	475,720
2015	155,000	224,265	379,265
2016	165,000	218,782	383,782
2017-2021	915,000	992,965	1,907,965
2022-2026	1,130,000	771,721	1,901,721
2027-2031	1,400,000	485,704	1,885,704
2032-2035	1,375,000	131,146	1,506,146
Totals	$ 5,860,000	$ 3,538,375	$ 9,398,375

Tax Allocation Bonds – Series 2007

On May 31, 2007, the Agency issued $11,470,000 of Tax Allocation Bonds bearing interest between 3.50% and 4.75% and payable semi-annually on March 1 and September 1. These bonds provided funds to aid in the financing of redevelopment in the project area. The Bonds are special obligations of the Agency and are payable as to principal, interest, and any premiums upon redemption at any time exclusively from the pledged tax revenues of the Agency. The outstanding principal balance of the 2007 Series bonds at June 30, 2011 is $10,975,000.

NOTE 5 - LONG-TERM DEBT (Continued)

Tax Allocation Bonds – Series 2007 (Continued)

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$ 250,000	$ 490,060	$ 740,060
2013	260,000	479,860	739,860
2014	270,000	469,260	739,260
2015	120,000	461,460	581,460
2016	120,000	456,660	576,660
2017-2021	620,000	2,216,641	2,836,641
2022-2026	1,120,000	2,039,409	3,159,409
2027-2031	1,795,000	1,721,394	3,516,394
2032-2036	3,030,000	1,214,567	4,244,567
2037-2039	3,390,000	248,189	3,638,189
Totals	$ 10,975,000	$ 9,797,500	$ 20,772,500

Advances from City of Winters

The Agency has been advanced a total of $3,384,350 from the City of Winters, which includes $781,448 at an interest rate of .51% from the General Fund for the Agency's SERAF payment and $701,902 at an interest rate of 1.44% from the General Plan 92 Fund for project area costs associated with the 1992 General Plan. The Agency repaid $2,594,902 during the fiscal year ended June 30, 2011 through a transfer of land to the City. The Agency reclassified its due to the City of Winters of $781,448 from a short-term payable as of June 30, 2010 to a long-term advance during the fiscal year ended June 30, 2011.

The scheduled annual minimum debt service requirements on the advances at June 30, 2011 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	$ 372,901	$ 10,271	$ 383,172
2013	372,991	10,181	383,172
2014	376,935	6,237	383,172
2015	202,636	2,262	204,898
2016	157,887	805	158,692
Totals	$ 1,483,350	$ 29,756	$ 1,513,106

Compensated Absences

The Agency accrues accumulated vacation and compensating time due to its employees. The total amount due at June 30, 2011 is $12,646.

NOTE 6 - NET ASSETS

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include debt service requirements and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

NOTE 7 - FUND EQUITY

Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations. The Agency does not have any committed, assigned, or unassigned fund balances at June 30, 2011.

NOTE 8 – NOTES RECEIVABLE

The Agency has issued various first-time homebuyer loans to residents of the City. These loans are payable to the Agency upon sale, transfer of ownership, change in status from owner-occupied to rental, refinancing, or in thirty years, whichever occurs first. The balance of these loans as of June 30, 2011 is $436,438.

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of ($2,609,161) was made on the Statement of Activities, due to an understatement of advances payable of ($2,594,902) and an understatement of construction in progress of ($14,259) in the prior fiscal year.

NOTE 10 – INTERFUND TRANSACTIONS

Transfers are indicative of funding for debt service and reallocation of special revenues. The following schedule briefly summarizes the Agency's transfer activity:

	Transfers In	Transfers Out
Debt Service Fund	$ -	$ 42,268
Capital Projects Fund	1,015,409	973,141
	$ 1,015,409	$ 1,015,409

The Agency received a transfer in from the City of Winters of $1,893,000 as part of the transfer of land to the City to repay a portion of the advances received from the City of Winters in prior fiscal years.

NOTE 11 – CONTINGENCIES

Litigation. There are various claims and legal actions pending against the Agency for which no provision has been made in the financial statements. In the opinion of the Agency's management and legal counsel, liabilities arising from these claims and legal actions, if any, will either not be material or cannot be estimated at this time.

SERAF Contingency. During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the SERAF legislation, together with the effect of this legislation on the Redevelopment Agency of the City of Yuba City (the Agency).

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling $1.7 billion for the fiscal year 2009-2010 and $350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contribution is $160,886 for the fiscal year 2010-2011. The Agency made the contribution for fiscal year 2010-2011.

Recent Changes in Legislation Affecting California Redevelopment Agencies. The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

NOTE 11 – CONTINGENCIES (Continued)

If the City, as the Agency's sponsoring community, does not elect to continue the Agency under the provisions of the Continuation Act, the Agency will be deemed dissolved effective October 1, 2011. Under the provisions of the Dissolution Act, an "Enforceable Payment Obligation Schedule" (EOPS) will be adopted by the Agency and presented to the County Auditor-Controller for certification. The last official act of the Agency will be to provide a draft "Recognized Obligation Payment Schedule" (ROPS) to a successor agency. The ROPS is subject to an independent audit and a review by an independent oversight board. Once audited and accepted by the oversight board, the County Auditor & Controller is directed to retain an amount of tax increment sufficient to meet the ongoing cost of enforceable obligations, and then distribute the remainder of revenues to the affected taxing agencies.

If the City elects to continue the Agency, the City Council must enact a non-binding resolution of its intent to continue the Agency no later than October 1, 2011, and it must also enact an ordinance agreeing to comply with the Continuation Act no later than November 1, 2011. Pursuant to the Continuation Act, the City must then make an annual payment, which may be reimbursed by the Agency. The required payment, which was calculated by the State Department of Finance and released to the City on August 1, 2011, will be $520,911 for FY 2011-12. Subsequent remittance payments will be calculated using a statutory ratio that will be applied to the FY 2011-12 payment and adjusted for inflation and other items. The Agency estimates that the payment for FY 2012-13 will be $161,000.

The City has not recorded any liability related to these Acts in these financial statements. At the close of FY 2010-11 the amount of the required payment was not yet known. The California Redevelopment Association, the League of California Cities, and two cities have sued to prevent enforcement of the Acts. On August 11, 2011, the Supreme Court of California (Supreme Court) agreed to hear the lawsuit and committed to issuing a decision by January 15, 2012. The Supreme Court also issued a stay of many elements of the Acts, including dissolution, County actions required for continuation, and the required payment, until the Supreme Court rules on the merits of the case. The deadlines imposed by the Acts with respect to affirmation of continuation are expected to be re-set by the Supreme Court at that time, depending on its decision. If the Supreme Court upholds these Acts, the realization of any costs related to the Continuation Act is subject to an action by the City Council taken subsequent to the issuance of this report. Should the City Council elect to discontinue the Agency, it would then be dissolved and its rights, obligations and responsibilities would be assigned to a successor agency. If the Supreme Court upholds these Acts, the City Council will consider the ordinance required for continuation of the Agency subsequent to the issuance of this report.

NOTE 12 – FINANCIAL CONDITION

The Agency had a deficit in net assets of $1,082,835 at June 30, 2011. It is estimated but uncertain that the tax increment revenue received over the remaining life of the Agency will be adequate to eliminate the deficit. Any remaining deficit at the end of the Agency's life will be absorbed by the City's General Fund.

WINTERS COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING SET-ASIDE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Property tax increment revenue	$ 342,806	$ 342,806	$ 322,072	$ (20,734)
Use of money and property	8,250	8,250	5,354	(2,896)
Miscellaneous			1,000	1,000
Total Revenues	351,056	351,056	328,426	(22,630)
EXPENDITURES				
Current:				
Legal and professional	32,710	32,710	13,798	18,912
Administration	252,528	252,528	254,102	(1,574)
Community development	1,354,365	1,354,365	300,500	1,053,865
Debt service:				
Principal	85,000	85,000	85,000	
Interest	196,288	196,288	196,288	
Total Expenditures	1,920,891	1,920,891	849,688	1,071,203
NET CHANGE IN FUND BALANCE	(1,569,835)	(1,569,835)	(521,262)	1,048,573
FUND BALANCE, BEGINNING OF FISCAL YEAR	1,866,410	1,866,410	1,866,410	
FUND BALANCE, END OF FISCAL YEAR	$ 296,575	$ 296,575	$ 1,345,148	$ 1,048,573

WINTERS COMMUNITY DEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property tax increment revenue	$ 1,371,225	$ 1,288,287	$ (82,938)
Use of money and property	22,000	42,939	20,939
Miscellaneous	35,675	1,567	(34,108)
Total Revenues	1,428,900	1,332,793	(96,107)
EXPENDITURES			
Current:			
Legal and professional		33,633	(33,633)
Administration	263,590	276,586	(12,996)
Community development	234,317	247,924	(13,607)
Pass through agreements	346,701	278,413	68,288
Capital outlay	7,563,402	5,382,574	2,180,828
Debt service:			
Principal	385,000	2,278,000	(1,893,000)
Interest	562,153	554,339	7,814
Total Expenditures	9,355,163	9,051,469	303,694
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,926,263)	(7,718,676)	207,587
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt		781,448	781,448
Transfer from City of Winters		1,893,000	1,893,000
Transfers in	30,663	1,015,409	984,746
Transfers in		(973,141)	(973,141)
Total Other Financing Sources (Uses)	30,663	2,716,716	2,686,053
NET CHANGE IN FUND BALANCE	(7,895,600)	(5,001,960)	2,893,640
FUND BALANCE, BEGINNING OF FISCAL YEAR	6,993,866	6,993,866	
FUND BALANCE, END OF FISCAL YEAR	$ (901,734)	$ 1,991,906	$ 2,893,640

WINTERS COMMUNITY DEVELOPMENT AGENCY

Computation of Low and Moderate Income Housing Fund Excess/Surplus

For the Fiscal Year Ended June 30, 2011

		Low and Moderate Housing Funds All Project Funds
Fund balance at July 1, 2011	$	1,345,148
Less unavailable amounts:		
Land held for resale		(127,299)
Reserved for encumbrances		(35,421)
Unspent debt proceeds (Section 33334.12 (g)(B))		(1,282,002)
Available low and moderate income housing funds	$	(99,574)
Limitation (greater of $1,000,000 or four years set-aside)		
Set-aside for last four years:		
2009-2010	$	381,189
2008-2009		402,736
2007-2008		370,668
2006-2007		420,158
Total set-aside		1,574,751
Base limitation	$	1,000,000
Greater amount	$	1,574,751
Computed Excess/Surplus		NONE

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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 Board of the Winters Community Development Agency
Winters Community Development Agency
Winters, California

We have audited the financial statements of the governmental activities and each major fund of the Winters Community Development Agency (Agency), a component unit of the City of Winters, California, as of and for the fiscal year ended June 30, 2011 which collectively comprise the Agency's basic financial statements, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We noted certain other matters that we reported to management of the Agency in a separate letter dated November 28, 2011.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the component unit financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim, LLP
Culver City, California
November 28, 2011

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INDEPENDENT AUDITOR'S REPORT ON CALIFORNIA REDEVELOPMENT AGENCIES COMPLIANCE

Members of the Board of the Winters Community Development Agency
Winters Community Development Agency
Winters, California

Compliance

We have audited the Winters Community Development Agency (Agency)'s compliance with the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller applicable to the agency for the fiscal year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on 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 the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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 State laws and regulations occurred. An audit includes examining, on a test basis, evidence about 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 Agency's compliance with those requirements.

In our opinion, the Winters Community Development Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the compliance requirement for the fiscal 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.

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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 the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
November 28, 2011