



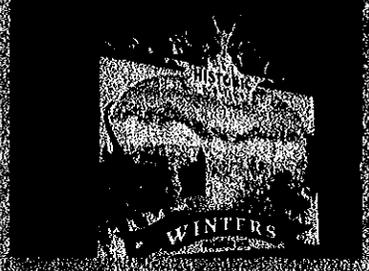
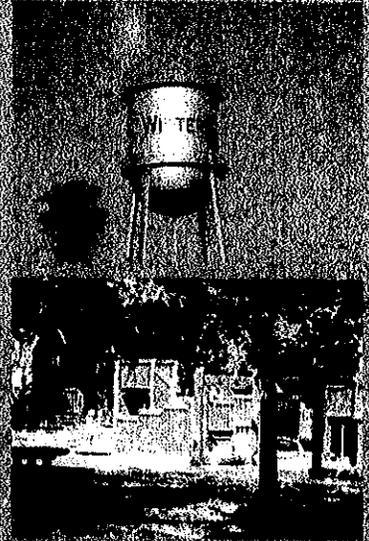
Comprehensive Annual
Financial Report For the
Year Ended
June 30, 2007

City of Winters
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City Manager
John W. Donlevy, Jr.

**Director of
Financial Management**
Shelly Gunby

Accounting Technician
Linda Sullivan





**Comprehensive Annual Financial Report
FOR THE YEAR ENDED JUNE 30, 2007**

Prepared by:
City of Winters Finance Department
Shelly A. Gunby, Director

CITY OF WINTERS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2007

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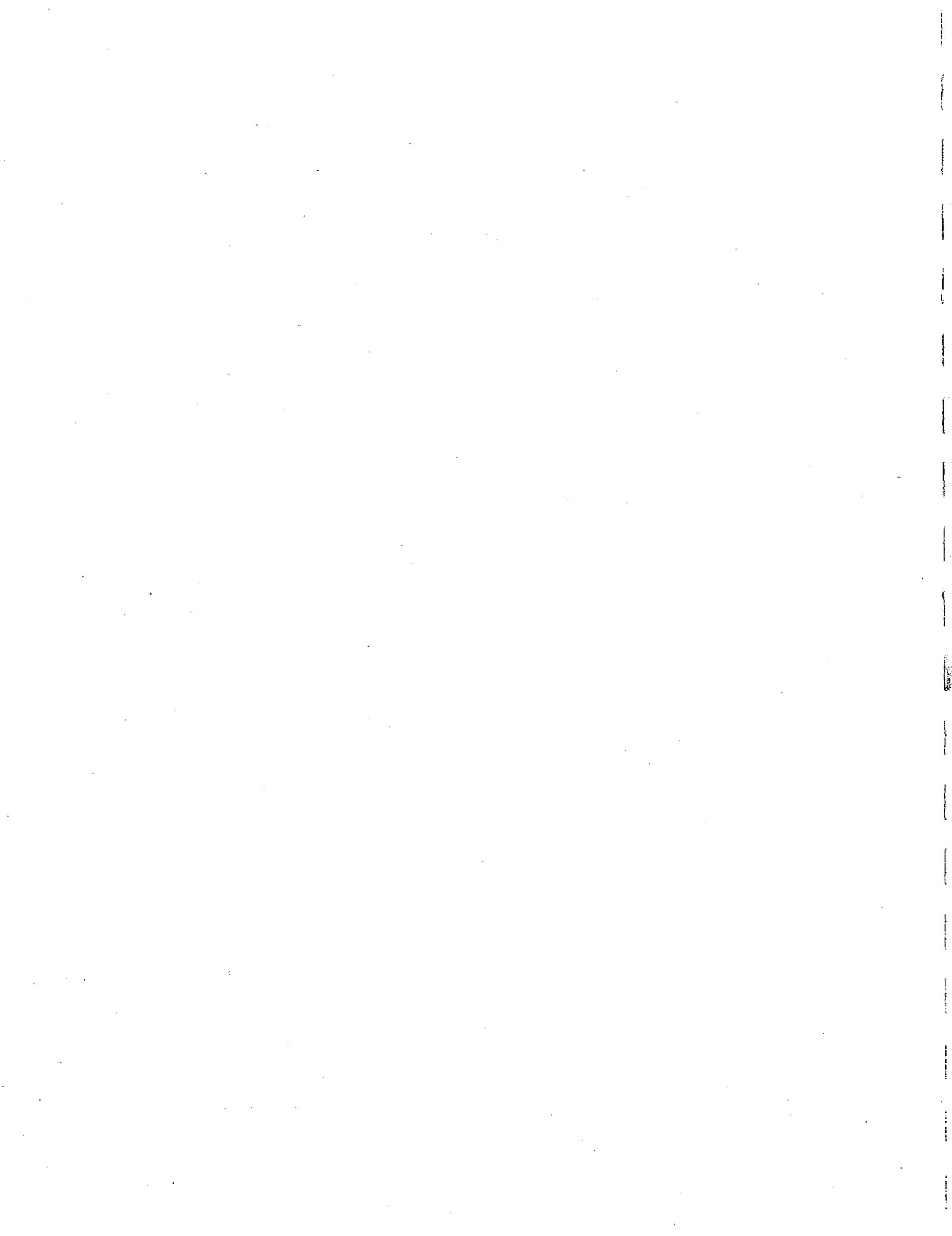
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MAYOR:
Woody Fridae
MAYOR PRO TEM:
Michael Martin
COUNCIL:
Cecilia Aguiar-Curry
Harold Anderson
Tom Stone



MAYOR EMERITUS:
J. Robert Chapman
TREASURER:
Michael Sebastian
CITY CLERK:
Nanci Mills
CITY MANAGER:
John W. Donlevy, Jr.

December 12, 2007

To the Honorable Mayor, members of the City Council and the Citizens of the City of Winters:

The comprehensive annual financial report of the City of Winters for the year ended June 30, 2007 is hereby submitted as mandated by state statutes. These statutes require that all general-purpose governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Winters. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Winters has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Winters financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Winters comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Winters financial statements have been audited by Moss, Levy and Hartzheim, a firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Winters for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Winters financial statements for the fiscal year ended June 30, 2007 are fairly presented

in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that the management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Winters MD&A can be found immediately following the report of the independent auditors.

Governmental Profile

The City of Winters, incorporated in 1898, is located in the southwestern corner of Yolo County, immediately north of the Solano County line and just east of the Vaca Mountain Range. The City of Winters is bordered to the east by I-505. Interstate 80, which lies just 11 miles south, provides easy access to the major metropolitan areas of Sacramento and the Bay Area. State Highway 128 passes directly through the City of Winters and is a major access route to the Napa Valley and recreational opportunities at Lake Berryessa.

The City of Winters is a general law city and employs the Council/Manager form of government. The City Council acts as the legislative and policy making body for the City. The City Council consists of 5 members. The City Council appoints the Mayor after each Council election. The Council appoints the City Manager, City Attorney, and all members of the various boards and commissions, which serve in an advisory capacity to the City Council. The Council sets policy on all public matters relating to the City of Winters, and adopts an annual budget in which the years approved programs, projects and services are financed. The City Council periodically establishes citywide goals and updates the General Plan and Zoning Ordinances as needed. The City Manager is the chief administrator and is responsible for implementing the policies and priorities of the City Council. The City Clerk and Treasurer are elected for four-year terms.

The City of Winters provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; water and sewer services; recreational activities and cultural events. The City of Winters is also responsible for the legally separate Winters Community Development Agency which functions, in essence, as a department of the City of Winters and therefore has been included as an integral part of the City of Winters financial statements.

The annual budget serves as the foundation for the City of Winters financial planning and control. All agencies of the City of Winters are required to submit requests for appropriation to the Director of Financial Management each year. The Director of Financial Management uses these requests as the starting point for developing a proposed budget. The Director of Financial Management and the City Manager present this proposed budget to the City Council for review in

May and is required to be legally adopted by June 30, the close of the City of Winters fiscal year. The appropriated budget is adopted at the fund and departmental level. The City Manager is authorized to make transfers between account codes and departments within each fund, except contingencies. City Council approval is required for transfers between funds, except for those inter-fund transfers approved in the budget. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, the comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund with appropriated annual budgets this comparison is presented in the governmental fund subsection of this report.

Management Approach

Over the past three (3) years, the primary focus of our management of the City has been fiscal and service sustainability. Simply put, we have worked to identify both needed and desired service levels and the associated costs and determined strategies for maintaining the quality of our municipal operations.

The approach has included a collaboration of all departments, the City Council and the community at large to begin a process of strategic planning for the long-term service, facility, park and open space, and capital equipment needs for the City. A significant amount of time has been spent on research and workshops to begin defining both current and long-term needs.

Factor Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific economy that affects the City of Winters.

With the passage of Proposition 1A, the City has reduced its vulnerability to state raids of city funding sources, but has not eliminated it completely. State legislation has often been directed at local governments to re-direct city revenues to cover the State's fiscal mismanagement. Potential take-away's have presented a real threat to the City's fiscal situation in the past and could well be a reality in 2008-2009 as the State of California faces a \$10-\$14 billion deficit for 2007-2008 and beyond.

Economically, Winters, while residing in Yolo County is primarily impacted and influenced by the economies of Solano County and the East San Francisco Bay Area.

- Housing prices have moderated over this last year due to credit market tightening and are expected to decline slightly in the coming years.
- Residential construction has come to a stand still in the last fiscal year, and new construction is not expected to occur until 2008-2009 at the earliest.

- The City's Sales Tax has seen a reduction from \$340,000 in 2005 to an estimated \$260,000 in the current fiscal year.
- Freeway serving uses have become a key target for the City due to an increase in traffic counts from 25,000 cars per day in 2004 to approximately 30,000 in 2007.
- Winters proximity to the I-80/I-505 corridor has made the location a logical next step in industrial development. The expansion of Solano County industry has driven developers to the Winters area in search of affordable land. The area in and around Vacaville and I-505 has caused many to look towards Winters as a potential area of industrial expansion.

The City is a high demand area for residential expansion and has approved four (4) subdivision applications from residential developers. A key focus of the City Council and Staff is to balance residential infill with industrial job creation.

A key hurdle for development in the Winters industrial area is flood control. Much of the City's northern area is a part of a FEMA Flood Area and is in need of mitigation. The City has developed a Flood Master Plan for this section of the City, which projects the need for almost \$20 million in improvements to mitigate the effects of flooding.

The external influences have caused the City to begin a review of growth phasing policies to establish benchmarks for the construction of residential growth. Avoidance of becoming a "bedroom community" is a key policy focus for the City Council and residents along with seeking a balance between jobs and housing.

In order to facilitate this growth and maintain a quality community, Staff has initiated a number of internal programs to assure effective review of projects and implementation of the City's economic development strategies. Economic expansion will invariably lead to higher revenues, and higher costs, to the City; therefore, balancing these revenues and costs is a key issue.

Long-Range Financial Planning

The city has developed a long-range financial plan. The goals of developing this long-range plan include the following:

1. Understanding of all the revenue sources used to implement projects and services throughout the community and the impacts to the growth rate of the services.
2. Identifying recurring vs. nonrecurring revenues.
3. Reviewing all services provided by the City and the corresponding costs of those services.
4. Provide service levels consistent with the General Plan.
5. Establish a Service reserve fund from nonrecurring (one-time) revenues.
6. Establish a long term financial strategy and plan.

7. Establish a "living" document that can be updated as identified variables change that will affect the plan.

Capital Projects/Redevelopment

The City of Winters has implemented projects within the community to utilize the \$7.8 million in tax allocation bonds issued by the Winters Community Development Agency in March 2004. The projects that have been implemented to date include:

- **Downtown Master Planning:** The CDA has worked with businesses and property owners within the Main Street and Railroad Avenue corridors to develop an overall strategy and infrastructure plan that will facilitate development within this area.
- **Economic Development:** The CDA has begun working with consultants to create a marketing program to make it easy for prospective developers to consider projects within the City.
- **Affordable Housing Program:** The CDA has worked with developers to complete construction of a 34 unit housing program.
- **Community Enhancements:** The CDA has built an amphitheatre at the community Center, completed a 110 downtown parking lot, rehabilitated the old railroad bridge to a bicycle and pedestrian trail across Putah Creek into the Community Center park area, and completed the installation of a shade structure on the Putah Creek entrance patio area of the Community Center.
- In 2008, the Agency will implement a \$1.5 million capital improvement to the intersection of Main St. and Railroad Ave. to include roadway, pedestrian and street furnishings.
- **First Time Home buyer program:** The CDA has, in partnership with the City of Winters, implemented a first time homebuyer program. Approximately 15 first time homebuyers have been assisted through this program since the 04-05 fiscal year.

The City of Winters has implemented projects within the community to utilize the \$11.47 million in tax allocation bonds issued by the Winters Community Development Agency in June 2007. The projects that have been implemented to date include:

- **Capital Projects:** Begin Construction of a Joint Police and Fire Facility
- **Economic Development:** Development of a Project Area Master Plan to facilitate economic development within the project area.
- **Homeownership programs:** Implementation of Senior owned homes rehabilitation program to enable our senior population to remain in their own homes safely.

The City is implementing the Five Year Capital Improvement plan developed in fiscal 03-04 and has prioritized key infrastructure projects within the City. The Capital Improvement Plan will be reviewed and updated in the 07-08 fiscal year

and will coordinate with the Community Development Agency's implementation plan.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in federally insured money market accounts and the State Treasurer's investment pool. The average yield on investments was 5.11%. Investment income includes appreciation in fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in fair value of investments that the government intends to hold to maturity.

The City of Winters investment policy is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming with all Federal, State and Local statutes governing the investment of public funds. 98% of all investments held by the City of Winters at June 30, 2006 are non-categorized as defined by the Governmental Accounting Standards Board (GASB). This percentage did not fall below 90% at any time during the year. Remaining investments were held in the bank's name, but are by its trust department in a separate account in the City's name.

Risk Management

Prior to implementation of the self-insurance program on March 1, 1979, each agency purchased its own insurance. The insurance companies supplied claims and loss recordkeeping as well as loss prevention services. The pooling program substitutes a collective approach to loss funding and servicing for the services previously provided by the individual insurance companies.

The Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) is a joint powers authority created in 1979 through a provision in the Labor, Government and Education codes that oversees a risk sharing and management program for sixteen (16) participating Yolo County Public Entities. Primary insurance programs include liability (Auto, general, errors and omission, and employment practices), workers compensation, property and fidelity. There are a number of other programs that are funded on a pass-through basis, including insurance coverage for marine, underground storage tanks, physical damage, landfill pollution, special events and library volunteers.

The Authority, located in Woodland, is a separate public entity, and has a governing board comprised of six voting governmental entities:

County of Yolo	City of Winters
City of Woodland	City of West Sacramento
City of Davis	Esparto Joint Unified School District

The ten non-voting members are;

Yolo-Solano Air Quality Management District
Yolo County Communications Emergency Services District (YCCESA)
California Superior Courts, Yolo County
Capay Fire Protection District
East Davis Fire Protection District
No Man's Land Fire Protection District
Yolo County Law Library
Springlake Fire Protection District
Yolo County In-Home Supportive Services Public Authority
Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA)

From its members, the Board elects a President and Vice-President. The County of Yolo Treasurer serves as the Authority's treasurer. The board appoints a Chief Executive Officer/Risk Manager to handle the day to day business operations of the Authority and to act as the Board's Secretary. The CEO/Risk Manager is assisted by a staff comprised of a Loss Prevention Analyst, Wellness Nurse, Finance Officer, Administrative Assistant and Secretary. Outside providers are retained by the Authority to adjust claims and conduct annual financial and claims audits and actuarial studies.

Claims administration services are purchased from an outside third party administrator for the adjustment of all liability and worker's compensation losses. Loss recordkeeping services are provided by the third party administrator in the form of computerized loss runs supplied monthly to Yolo County Public Risk Management Insurance Authority.

Under the pooling program, losses are funded in the following manner;

1. Each participating agency assumes a deductible to a level commensurate with its financial size. The minimum deductible is \$1,000.
2. A self-insurance fund is created and funded by all participating agencies.
3. Membership in California Joint Powers Risk Management Authority (CJPRMA) provides a second excess coverage fund for catastrophic liability losses through self-insurance and EPL coverage is purchased subject to pooled retention.
4. Excess insurance is purchased by YCPARMIA for all catastrophic losses under all other coverage lines.

All of the activities of the Authority are classified as "business-type" activities. These activities include the development and operation of public entity risk pools and the purchase of insurance related services for members.

It is the mission of the Authority "to protect the members" resources from the impact of loss through a program of insurance coverage, prevention, education, training, and service. Members are assessed premium/cash contributions for participation in the Authority.

Pension and other post employment benefits

The City of Winters provides pension benefits for all employees through the CalPers program. The City of Winters has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to CalPers. The City of Winters offers no other post employment benefits to its employees.

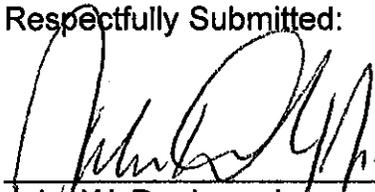
Awards and Acknowledgements

The Government Finance Officer Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winters for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This is the fourth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City of Winters published an easily readable and efficiently organized CAFR. This report satisfied both the GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been prepared without the cooperation of all staff of the City of Winters.

Respectfully Submitted:



John W. Donlevy, Jr.
City Manger

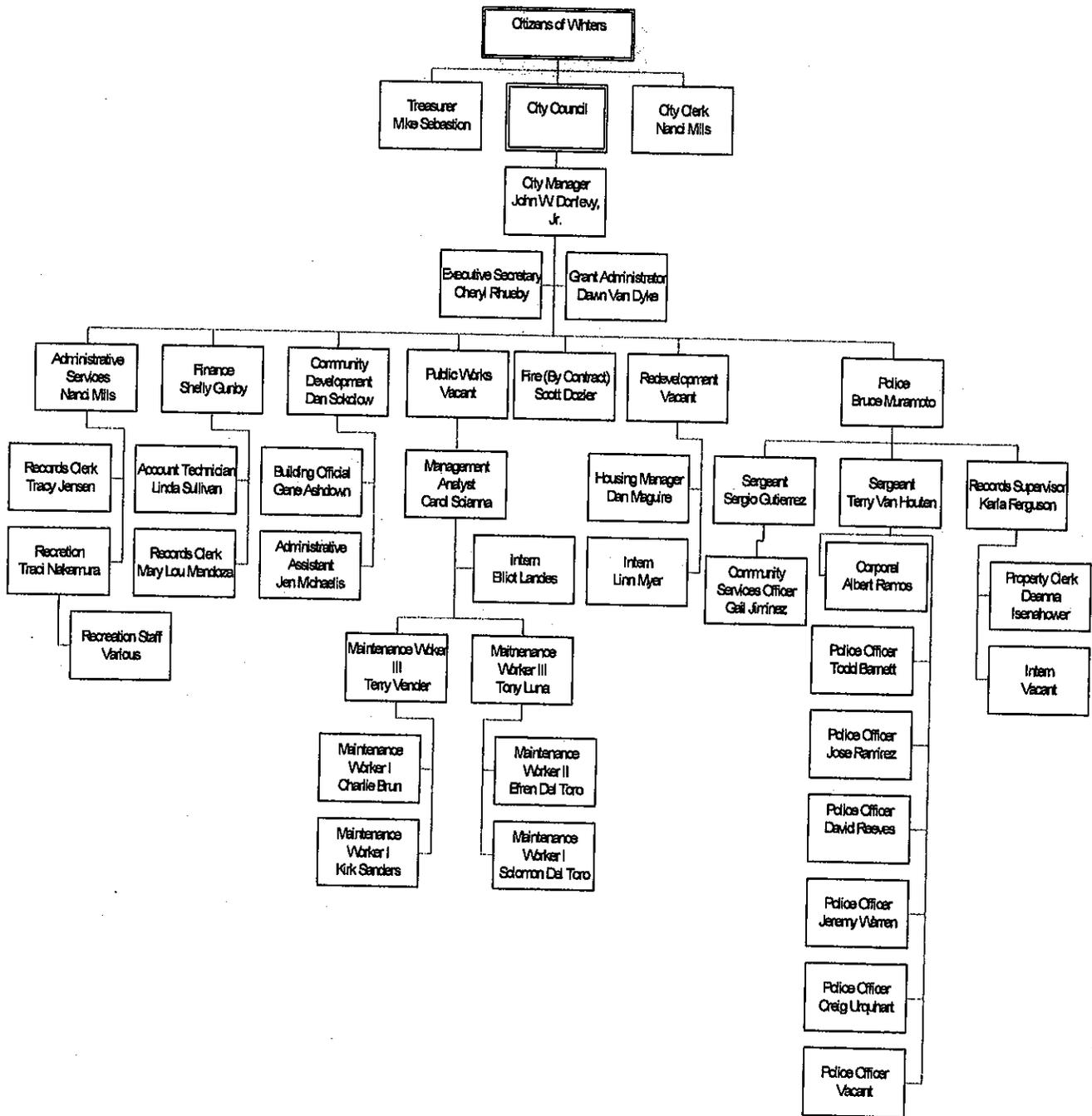


Shelly A. Gunby
Director of Financial Management



Organizational Chart

June 30, 2007





List of Elected and Appointed Officials June 30, 2007

Elected Officials

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Woody Fridae
Mike Martin
Cecilia Aguiar-Curry
Harold Anderson
Tom Stone

Appointed Officials

City Manager
Police Chief
Director of Administrative Services
Director of Public Works
Director of Financial Management
Director of Community Development
Housing and Redevelopment Manager

John W. Donlevy Jr.
Bruce Muramoto
Nanci G. Mills
Charles Simpson
Shelly A. Gunby
Dan Sokolow
Dan Maguire

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Winters
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive
Director



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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

Consultant:

ROBERT M. MOSS (Retired C.P.A.)

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BEVERLY HILLS, CA 90210
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Independent Auditor's Report

The Honorable Members of the City Council of the
City of Winters
Winters, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winters, California (City) as of and for the fiscal year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winters, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund and the Housing Set-Aside Special Revenue Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2008, on our consideration of the City'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 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.

OFFICES: BEVERLY HILLS • SANTA MARIA

MEMBER AMERICAN INSTITUTE OF C.P.A.'S • CALIFORNIA SOCIETY OF C.P.A.'S • CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS • CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

The Management's Discussion and Analysis on pages 15 through 33 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, major capital project funds budgetary comparison schedules, nonmajor fund budgetary comparison schedules, combining agency funds statements of net assets and changes in net assets, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, major capital project funds budgetary comparison schedules, nonmajor fund budgetary comparison schedules, and combining agency funds statement of net assets and changes in net assets, have 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss, Levy & Hartzheim, LLP

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
January 22, 2008

Management's Discussion and Analysis

As management of the City of Winters, we offer readers of the City of Winters financial statements this narrative overview and analysis of the financial activities of the City of Winters for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to the basic financial statements.

The financial statements presented herein include all financial activities of the City and its component units in accordance with Governmental Accounting Standards Board Statement No.34, "Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Government" (GASB 34).

The Government-wide Financial Statements present the financial position of the City using the economic resources measurement focus and the accrual basis of accounting. These statements present governmental activities and business-type activities separately. Also, these statements include all assets of the City, as well as all liabilities, including long-term debt. Additionally, in accordance with GASB 34, certain eliminations have been made related to interfund activity, payables and receivables.

The Fund Financial Statements include governmental, proprietary and fiduciary funds. The governmental funds are prepared using the current financial resources measurement and focus and the modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the modified accrual basis of accounting. The fiduciary funds consist of agency funds, which only report a balance sheet and do not have a measurement focus. A reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach under GASB 34.

Financial Highlights

- The assets of the City of Winters exceeded its liabilities at the close of the most recent fiscal year by \$25,404,889 (net assets). Of this amount, \$7,085,417 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Winters governmental funds reported combined ending fund balances of \$27,230,398 an increase \$10,587,725 in comparison with the prior year. Approximately 81%, or \$21,867,471 is available for spending at the government's discretion (unreserved fund balance).

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,400,722 or, 108% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Winters basic financial statements. The City of Winters basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund Financial Statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City of Winters finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* and the *Statement of Activities* report information about the City as a whole and its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector entities. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become measurable, while expenses are recorded when incurred with the exception of the principal and the interest on long term debt, which is recorded when due.

The *Statement of Net Assets* reports the City's net assets and changes in them. Net assets are the differences between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes, and earned but unused vacation leave.

Both of the Government-wide Financial Statements distinguish functions of the City of Winters that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges

(business type activities.) The governmental activities of the City of Winters include; general government, public safety, streets, economic development, and culture and recreation. The business type activities of the City of Winters include the Water and Sewer functions of the City of Winters.

The Government-wide Financial Statements include not only the City of Winters itself, but also a legally separate City of Winters Community Development Agency for which the City of Winters is financially accountable.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Winters, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Winters can be divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the Governmental Fund Financial Statements and the Government-Wide Financial Statements are explained in a reconciliation following the Government-Wide Financial Statements.

The City of Winters adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. When the City charges customers for services, whether to outside customers or to programs of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The City's enterprise funds are the same as the business-type activities reported in the Government-wide Financial Statements, but provide more detail and additional information, such as cash flows for each enterprise fund. The City also uses an internal service fund to

report activities that provide supplies and services for the City's internal programs and activities.

Fiduciary funds. The City is the trustee, or fiduciary, for certain funds established to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their purposes.

Notes to the financial statements

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

Other information

Combining statements are presented following the notes to the financial statements.

Government-wide Financial Analysis

The Government-wide Financial Statements provide long-term and short-term information about the City of Winters overall financial condition. This analysis addresses the financial statements of the City as a whole.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Winters, assets exceeded liabilities by \$25,404,887 at the close of the most recent fiscal year.

12.74% of the City's net assets reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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 City reports its sewer and water activities as business type activities and reports these activities in the government-wide statements.

An additional portion of the City of Winters net assets (59.37%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$7,085,417) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Winters is able to report positive balances in all three categories of net assets, governmental activities, business-type activities, as well as total activities.

City of Winters Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 33,364,545	\$ 19,415,713	\$ 1,408,539	\$ 1,793,502	\$ 34,773,084	\$ 21,209,215
Capital Assets	8,267,739	5,779,924	2,025,843	1,849,858	10,293,582	7,629,782
Total Assets	41,632,284	25,195,637	3,434,382	3,643,360	45,066,666	28,838,997
Long-term Liabilities Outstanding	18,538,815	7,017,327	31,679	150,450	18,570,494	7,167,777
Other Liabilities	821,523	1,086,150	269,760	132,028	1,091,283	1,218,178
Total Liabilities	19,360,338	8,103,477	301,439	282,478	19,661,777	8,385,955
Net Assets:						
Invested in Capital Assets Net of related Debt	1,211,842	(997,447)	2,025,843	1,748,464	3,237,685	751,017
Restricted	15,081,787	3,812,117	-	-	15,081,787	3,812,117
Unrestricted	5,978,317	14,277,490	1,107,100	1,612,418	7,085,417	15,889,908
Total Net Assets	\$22,271,946	\$ 17,092,160	\$ 3,132,943	\$ 3,360,882	\$ 25,404,889	\$ 20,453,042

There was an increase of \$11,269,670 in restricted net assets reported in connection with the City of Winters' Governmental Activities. This increase is due to the Housing set aside funds from the 2007 Tax Allocation Bond issuance.

The net assets of the City of Winters increased by \$4,951,847 during the fiscal year. 50.22% of this increase in net assets is due to investments in capital assets throughout the fiscal year. The largest capital asset for the year was the construction of a new Community Swimming Pool. The increase in the Notes Receivable by \$2,905,244 also contributed to the increase in net assets. The City of Winters secured a grant which was then loaned to the California Housing Opportunities Corporation (CHOC) to provide funding for a 34 unit income restricted apartment building along with a Community Building within the City of Winters. Other activities affecting the net assets of the City of Winters include the issuance of Tax Allocation Bonds in June 2007. The effect of the Tax allocation bonds is reflected in the increase amount of Restricted Cash with Fiscal Agents, and the increase in the Non-Current Liabilities, as well as the increase in the increase in Net Assets restricted for Housing.

Governmental Activities

Governmental activities increased the City of Winters net assets by \$5,179,786, this increase in net assets include the new public swimming pool that was funded by developer contributions through development agreements. Also increasing net

assets is the loan receivable for the construction of the new income restricted apartment complex funded through grants.

Additional grant funding/developer funding has been received for projects in progress at the fiscal year end. These projects include:

- Jackson/McArthur Street Reconstruction Project
- Rancho Arroyo Pump Station Project
- West Are Water Well Project
- W Main Street Pump Station
- I-505 Signal Project

The Cost of all governmental activities during 2006-2007 was \$6,856,033. Some of the cost of governmental activities was paid by those who directly benefited from the programs in the amount of \$ 1,347,434 or by other governmental agencies and organizations that subsidized certain programs with grants and contributions in the amount of \$4,971,333 Overall, the city generated program revenues of \$6,318,767. The balance of the cost of governmental activities of \$537,266 was paid by the City of Winters sources of general revenues (taxes and general revenues).

The following table presents the changes in net assets for the year ended June 30, 2007 and June 30, 2006:

City of Winters Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$ 1,347,434	\$ 737,125	\$ 1,533,019	\$ 1,384,469	\$ 2,880,453	\$ 2,121,594
Operating Grants and Contributions	3,254,278	112,674			3,254,278	112,674
Capital Contributions and Grants	1,717,055	1,142,084			1,717,055	1,142,084
General Revenues						
Property Taxes	3,291,501	3,132,212	23,451	23,537	3,314,952	3,155,749
Other Taxes	1,302,130	1,357,200			1,302,130	1,357,200
Other	1,123,421	866,650	(27,498)	24,131	1,095,923	890,781
Total Revenues	12,035,819	7,347,945	1,528,972	1,432,137	13,564,791	8,780,082
Expenses:						
General Government	1,270,036	1,010,123			1,270,036	1,010,123
Public Works	266,764	291,343			266,764	291,343
Public Safety	2,264,099	1,805,197			2,264,099	1,805,197
Cultural and Recreation	253,530	209,039			253,530	209,039
Community Development	1,783,897	1,177,004			1,783,897	1,177,004
Parks	459,383	394,202			459,383	394,202
Streets and Highways	101,448	95,709			101,448	95,709
Public Transportation		122,406				122,406
Pass Through Agreements						
Interest on Long Term Debt	456,876	289,113			456,876	289,113
Water			651,194	568,433	651,194	568,433
Sewer			1,105,717	821,800	1,105,717	821,800
Total Expenses	6,856,033	5,394,136	1,756,911	1,390,233	8,612,944	6,784,369
Increase in Net Assets	5,179,786	1,953,809	(227,939)	41,904	4,951,847	1,995,713
Net Assets 7/1	17,092,160	15,138,351	3,360,882	3,318,978	20,453,042	18,457,329
Net Assets 6/30	\$ 22,271,946	\$ 17,092,160	\$ 3,132,943	\$ 3,360,882	\$ 25,404,889	\$ 20,453,042

Property taxes increased by \$470,760 or 15%, although due to a change in presentation the above chart shows a change of \$159,289 during the year. The 2007 year has pass through amounts of \$311,471 for the redevelopment agency netted against property taxes, unlike 2006, where the pass through amounts were included in the Community Development Expenditures. 24.86% or \$117,026 of the increase is due to the increase in assessed property values throughout the City, and 66.95% or \$315,190 of the increase is due to increased assessed property values in the Community Development Agency project area. 7.6% of the increase is due to increased revenue in the Property Tax in Lieu of VLF, the balance of the increase was in Property Tax Received in Lieu of Sales Tax.

Operating Contributions and Grants have increased by \$3,141,604 in 2006-2007 compared to 2005-2006. This is due the one time nature of grants such as the Workforce Housing Grant, the STBG1414 Grant, and the HOME Grant. The HOME Grant in the amount of \$2,850,180 to provide gap funding for the construction of income restricted apartments provided the single largest component of the increase in Operating Contributions and Grants in 2006-2007. Until 2006-2007 the only grants that were consistently funded for multiple years is funding for

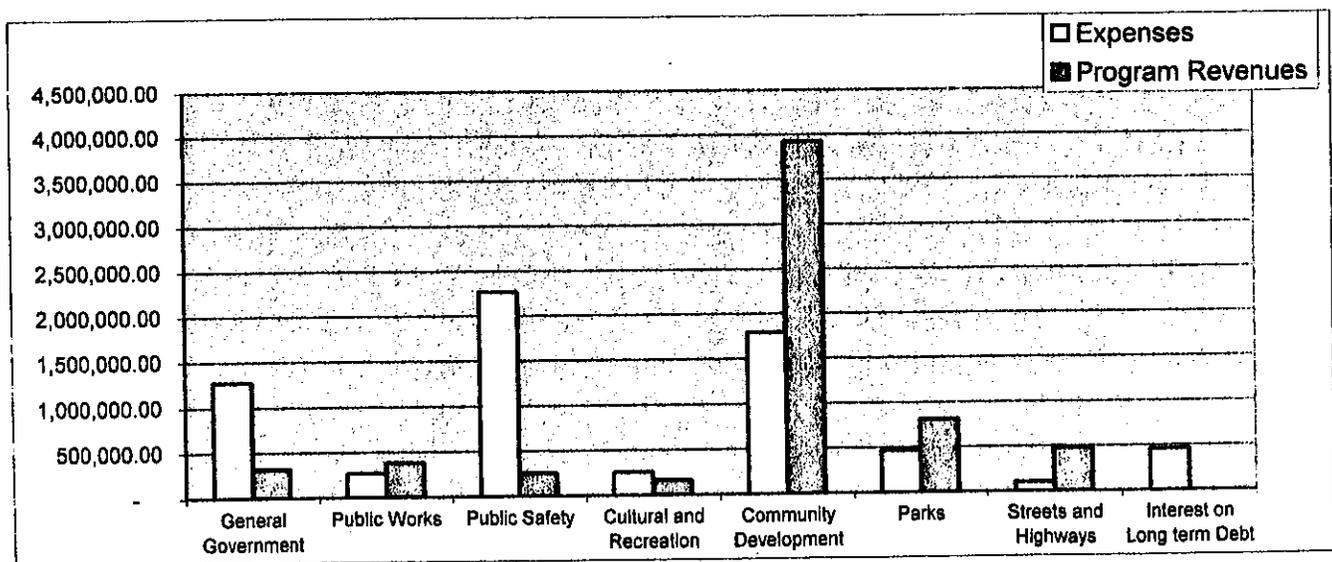
Police staffing provided by the State of California at a consistent \$100,000, however, in 2006-2007 the City of Winters received funding for After school programs at 2 elementary schools in the amount of \$202,500, and these are multiple year grants. Continued funding of the Police staffing grants depend on the financial status of the State of California and could be discontinued at any time.

Capital Contributions and Grants have increased from 2005-2006 amounts by \$574,971. This again, is due to the one time nature of grants. Of particular note is the Transportation Development Act Fund Contributions of \$359,305 and Developer Contributions for the Public Swimming Pool in the amount of \$1,250,000. The balance of the funding received was various small grants received throughout the fiscal year to add equipment to various parks throughout the city.

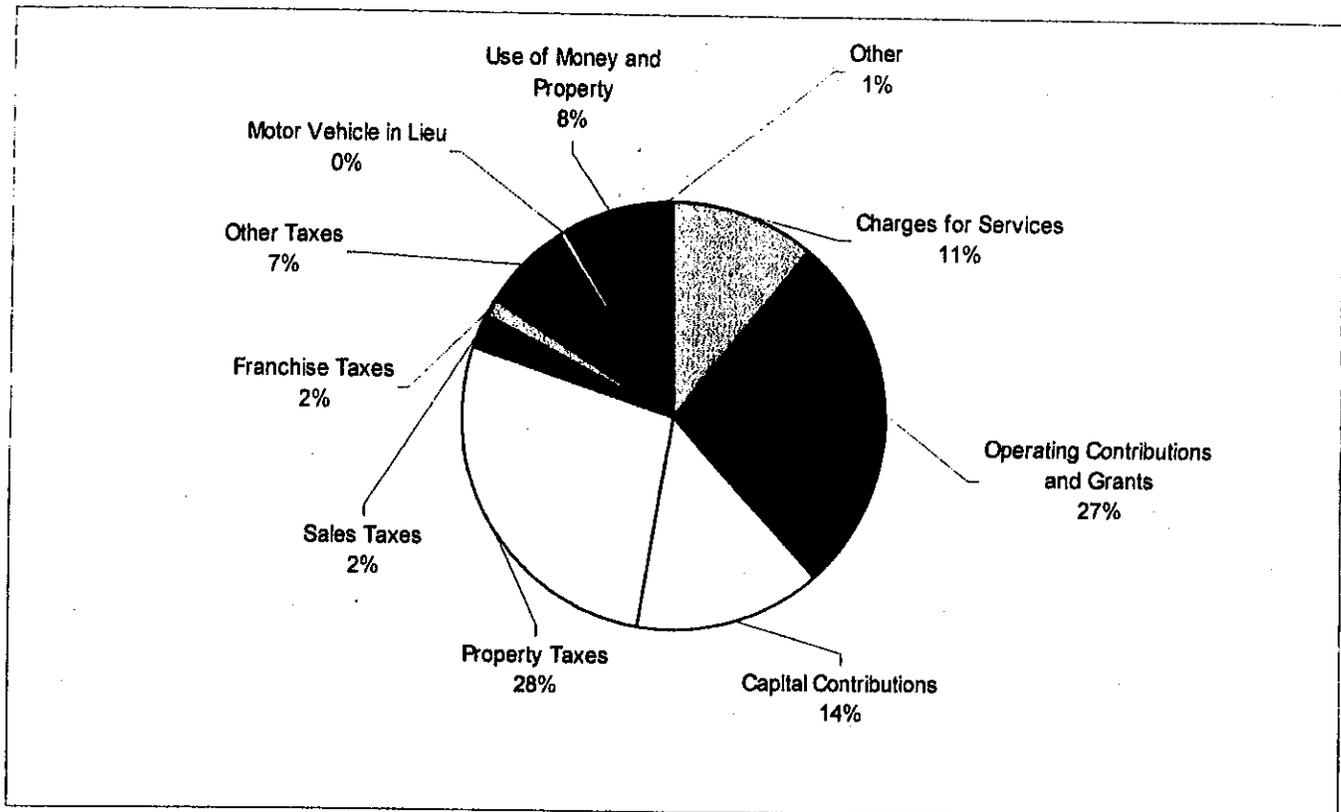
Charges for Services have increased from the 2005-2006 fiscal year by \$610,309. The increase is due one specific building permit, the permit for the income restricted apartment complex. Building activity within the City during the 2006-2007 was nonexistent except for the apartment complex, therefore building permit fees, one of the major general fund service charges were not collected.

Other revenues increased by 256,771 from 2005-2006. \$182, 933 or 71.24% of the increase was in interest revenue from investment of City funds during the fiscal year. The balance of other revenues is receipt of principal on notes throughout the year.

Expenses and Program Revenues-Governmental Activities



Revenues by Source-Governmental Activities



Governmental activity expenses increased by \$1,461,897 from those of 2005-2006 for the following reasons:

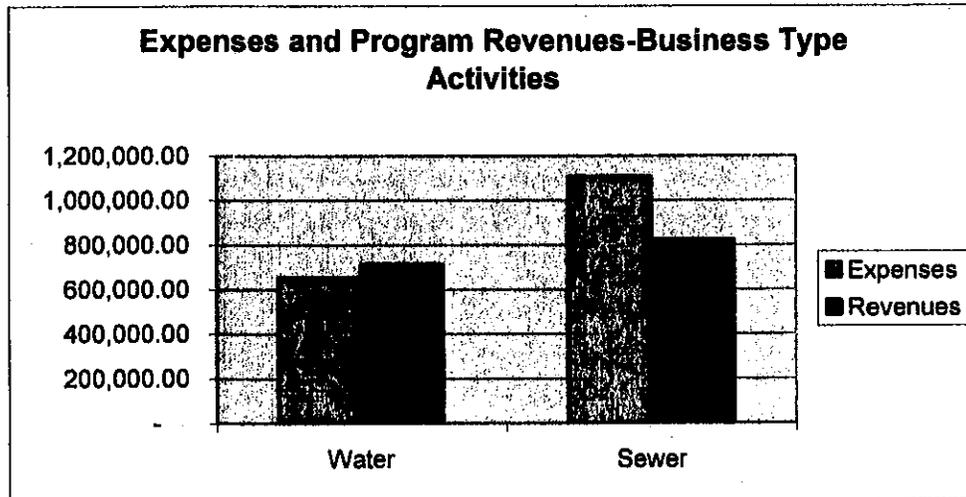
- The City of Winters increased the contract amount to the Winters Fire Protection District. The City of Winters contracts with the Winters Fire Protection District to provide fire protection to the residents of the City of Winters. The City increased the contract amount to provide for staff retention in the employees of the Winters Fire Protection District. The District has had a high level of turnover of employees due to the long work hours and low pay, the increase in the contract amount is an attempt to increase pay for the staff, therefore reducing turnover. The increase in the contract amount was \$106,300
- The Police Department also had increased expenditures in 2006-2007. Contract services for Animal Control increased by 21% and contract services for the Yolo County Communications and Emergency Services Association, a Joint Powers Authority providing dispatch services to county public safety officials increased by 27%. The City also implemented measures to help in staff retention by increasing salaries for sworn personnel by 7.5% during the fiscal year.
- Increases in Community Development expenses were due to the grant from the Community Development Agency Low Income Housing Set

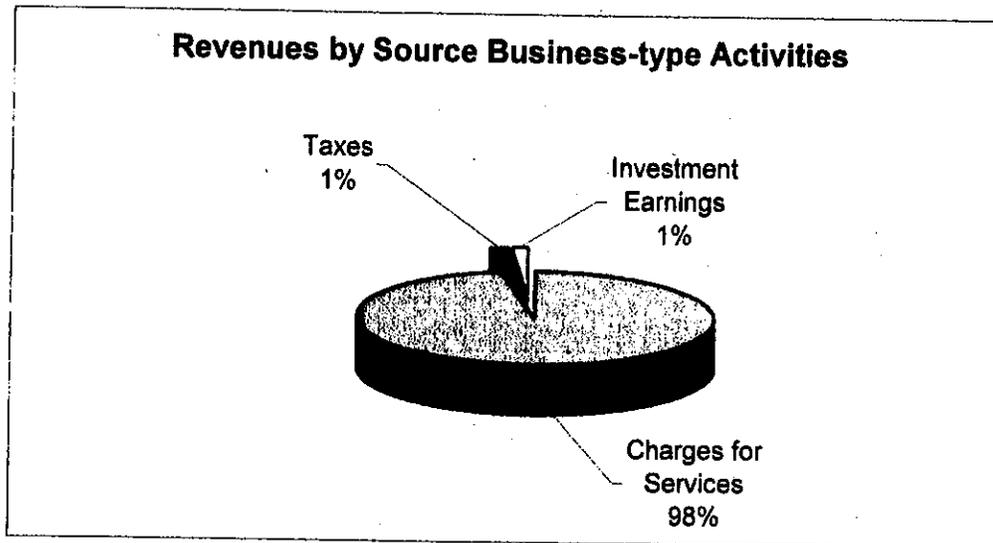
Aside fund to provide gap financing for the 34 unit income restricted apartment complex to be completed by January 2008.

Business- Type Activities

Business-type activities decreased the City of Winters net assets by \$227,941. Key elements of the decrease in the net assets are as follows:

- The Water O & M fund increased net assets by \$48,898 for the fiscal year. Service charge rate was increased in January 2006 per a consultant produced 7 year financial plan. This produced a positive cash flow in the Water O & M fund for the second time in 4 years.
- The Sewer O & M Fund decreased net assets of the City of Winters by \$276,839. The City implemented a sewer system repair and replacement plan during the 2006-2007 fiscal year, this involved the inspection by video camera of 50% of sewer lines within the City of Winters, this increased Contract Services for the Sewer O & M Fund by \$151,191. The City also experienced increased contract City Engineering costs due to the fact that the Public Works Director resigned early in the fiscal year, and had not been replaced as of June 30, 2007 and the contract City Engineer provided guidance to the public works staff during the absence of a Public Works Director.





Financial Analysis of the Government's Funds

As noted earlier, the City of Winters uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Winters governmental funds is to provide information on near-term inflow, outflows and balances of spendable resources. Such information is useful in assessing the City of Winters financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Winters governmental funds reported combined ending fund balances of \$27,230,398, an increase of \$10,587,725 in comparison with the prior year. Approximately 81%, or \$21,867,471 is available for spending at the government's discretion (unreserved fund balance). The remainder of the fund balance is reserved to indicate that it is unavailable for new spending because it has already been committed to the following:

- Advance to other funds-\$125,000
- Capital equipment -\$318,719
- Low and Moderate Income Housing-\$3,536,702
- Debt Service-\$1,159,947
- To liquidate contracts and purchase orders of the prior period-\$222,559

The general fund is the chief operating fund of the City of Winters, accounting for all financial resources traditionally associated with government activities that are not legally required to be accounted for in another fund.

The General fund ended the fiscal year with a fund balance of \$3,807,714, which is a decrease of \$54,497 as compared to the prior fiscal year. The fund balance is

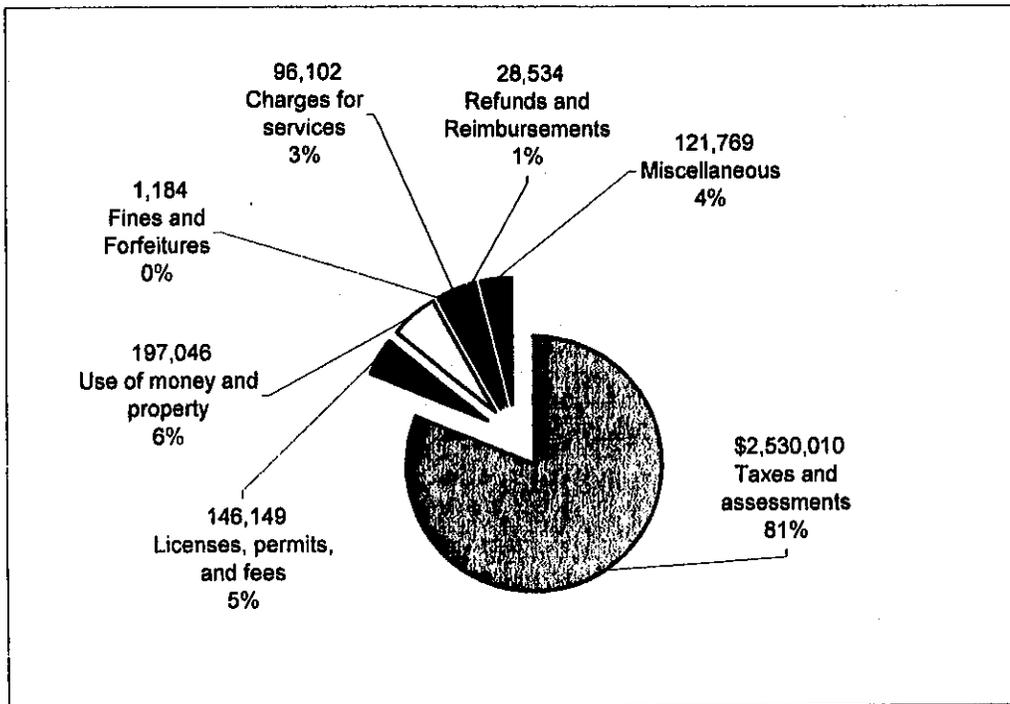
composed of two balances, designated for specific purposes by the City Council in the amount of \$406,992, and unreserved, undesignated fund balance available for future operations in the amount of \$3,400,722. The fund balance of the general fund is 121% of 2006-2007 revenues, which is well above the 25% of expenditures required by the City Council approved fiscal polices.

General fund revenues for the fiscal year ended June 30, 2007 were \$3,120,794 comprised of the following:

General Fund Revenues

Taxes and assessments	\$ 2,530,010
Licenses, permits, and fees	146,149
Fines and Forfeitures	1,184
Use of money and property	197,046
Charges for services	96,102
Refunds and Reimbursements	28,534
Miscellaneous	121,769
	<u>\$ 3,120,794</u>

General Fund Revenues by Source

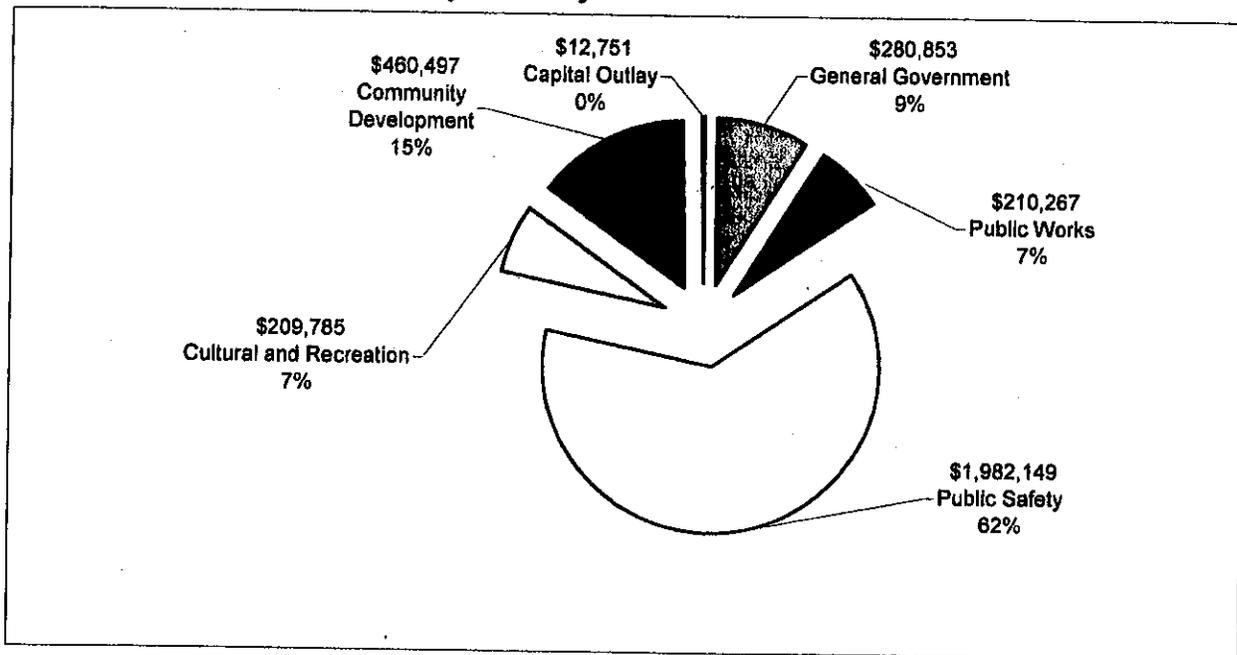


General Fund expenditures were \$3,156,302 for the fiscal year ended June 30, 2007 comprised of the following:

General Fund Expenditures

General Government	\$	280,853
Public Works	\$	210,267
Public Safety	\$	1,982,149
Cultural and Recreation	\$	209,785
Community Development	\$	460,497
Capital Outlay	\$	12,751
	\$	<u>3,156,302</u>

General Fund Expenditures by Activity



Other Major Funds

Community Development Capital Projects Fund:

The Community Development Agency issued tax allocation bonds on May 31, 2007, of which \$8,850,618 was transferred to the Capital Projects Fund from the Debt Service Fund. Total expenditures for the year were \$2,146,027. Expenditures are for pass through agreements, agency staff, debt service, and capital projects financed with tax increment or tax allocation bond proceeds and tax increment.

Housing Set-Aside Special Revenue Fund:

The Housing Set-Aside Fund is used to account for the production of low and moderate income housing within the City of Winters. The tax increment received by this fund was \$420,158. Total expenditures were \$1,664,814 for staffing, community outreach, and a grant used in production of a low-income apartment complex within the agency's project area, and for debt service on the tax allocation bonds issued in March 2004.

Community Development Agency Debt Service Fund:

Expenditures in this fund are for debt service on the non-housing tax allocation bonds issued in March 2004; revenues are investment earnings on the amount set aside as a reserve for the payment of debt service and non-housing tax increment.

Proprietary Funds

The City of Winters proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer funds at the end of the year amounted to \$42,394 and \$1,103,084 respectively. The Water fund had an increase in net assets during the fiscal year; however, the Sewer fund had a decrease in net assets for the year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Winters business-type activities.

General fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgets are prepared on a modified accrual basis consistent with GAAP, except that for budgetary purposes:

- Revenues are recorded when received.
- Interfund loans and repayments are recorded as revenues and expenditures.
- Capital expenses are budgeted as an expense.
- Encumbrances are included in budgeted expenditures.

Unexpended appropriations lapse at year-end. The City Council reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budget is adopted at the fund and department level. The City Manager is authorized to make transfers between account codes and departments within each fund, except for contingencies. City Council approval is required for transfers between funds, except those inter-fund transfers approved in the budget and must authorize any revisions which alter total expenditures of the city.

There were approved increased expenditures over the original budget in the areas of general government, public works and cultural and recreation during the fiscal year. Public Safety had approved decreased expenditures below the original budget during the fiscal year. Increases in General Government expenditures in the amount of \$14,204 were for the purchase of a new pool vehicle and for the outstanding purchase orders as of June 30, 2006. Public Works approved budget was increased by \$6,758 due to open purchase orders as of June 30, 2006. The Cultural and Recreation had increased expenditures approved for the installation of new doors at the Community Center. Public Safety had decreased expenditures approved because the cost of 2 police cars was less than originally budgeted, and the savings was transferred to the General Government budget as described above.

Actual Revenues were higher than budget amounts in total, however the sources of revenue is as follow:

❖ Taxes and Assessments

- Revenues received were higher than budgeted by \$126,470 due to increases in assessed values on real property as of January 1, 2007. The City budgeted conservatively for the assessed value increase, and the actual assessed value on which property tax and property tax in lieu of VLF was significantly higher than the amount budgeted for.

❖ Licenses and Permits

- License and Permit fee revenue received was less than the amount budgeted by \$35,070, due to the lack of new construction building permits. Approved subdivisions did not begin construction as anticipated in the budget resulting in only one new construction permit for the income restricted apartment complex being issued in 2006-2007.

❖ Use of Money and property

- Interest rates on the Local Agency Investment Fund (LAIF) increased during the 2006-2007 fiscal year. The City invests funds not immediately needed to pay operating expenses in LAIF. Actual receipts were \$58,521 higher than budgeted.

❖ Charges for Services

- Planning and Recreation services fees had revenues higher than budgeted in the 2006-2007 fiscal year, including, Planning Application Fees, Miscellaneous Recreation Fees, Basketball Program, Swim Program, and the Community Center Rental.

❖ Refunds and Reimbursements

- Developer reimbursement for costs related to processing their individual applications was lower than budgeted in 2006-2007

Expenditures were lower than budgeted throughout the organization in 2006-2007. An explanation for lower expenditures follows:

- ❖ **General Government**
 - Salaries and Benefits were budgeted at a higher rate than the amount negotiated after the budget was approved.
 - Conservative spending by staff resulted in lower expenditures than budgeted.
- ❖ **Police Department**
 - Salaries and benefits were less than budgeted due to vacancies in the department throughout the year.
 - Conservative spending by staff resulted in lower expenditures than budgeted.
- ❖ **Community Development**
 - Salaries and benefits were budgeted at a higher rate than the amount negotiated after the budget was approved.
 - Conservative spending by staff resulted in lower expenditures than budgeted.
- ❖ **Public Works**
 - Salaries and benefits were less than budgeted due to vacancies in the department throughout the year.
 - Engineering Consultant services were not required at the budgeted levels, therefore expenditures were less than the budgeted amount.
 - Conservative spending by staff resulted in lower expenditures than budgeted.

Capital Asset and Debt Administration

Capital Assets.

The City of Winters investment for capital assets for its governmental and business type activities as of June 30, 2007, amounts to \$10,293,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, water wells and distribution and sewer plant and collection facilities.

Capital asset additions during 2006-2007 include the following:

**City of Winters Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 785,185	\$ 611,494	\$ 682,979	\$ 682,979	\$ 1,468,164	\$ 1,294,473
Buildings	2,747,428	1,151,800			2,747,428	1,151,800
Vehicles & Equipment	430,718	354,290			430,718	354,290
Infrastructure	3,944,201	3,009,160	405,542	414,093	4,349,743	3,423,253
Machinery & Equipment			191,448	109,893	191,448	109,893
Sewer Plant & Pipes			623,798	642,893	623,798	642,893
Construction in Progress.	360,207	653,180	122,076		482,283	653,180
Total	\$ 8,267,739	\$ 5,779,924	\$ 2,025,843	\$ 1,849,858	\$ 10,293,582	\$ 7,629,782

- Public Swimming Pool
- Jacobson Mower
- 3 Police Cars
- 4 Workstations
- Land at 23 Main Street
- 2007 Toyota Prius
- 2007 Chrysler Gem
- Backhoe
- 85 hp Sewer Pump

Additional information on the City of Winters capital assets can be found in Note 7 of this report.

Long-term Debt

At June 30, 2007, the City of Winters had \$18,570,494 in tax allocation bonds and compensated absences, compared to \$7,468,085 on June 30, 2006.

The following table provides a breakdown of the City's outstanding indebtedness as of June 30, 2007

City of Winters Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
2004 Tax Allocation Bonds	\$ 6,870,000	\$ 7,145,000	\$ -	\$ -	\$ 6,870,000	\$ 7,145,000
2007 Tax Allocation Bonds	11,470,000				11,470,000	
Compensated Absences	198,815	163,697	31,679	39,388	230,494	203,085
General Obligation Bonds				120,000		120,000
	<u>\$ 18,538,815</u>	<u>\$ 7,308,697</u>	<u>\$ 31,679</u>	<u>\$ 159,388</u>	<u>\$ 18,570,494</u>	<u>\$ 7,468,085</u>

The tax allocation bonds are paid from the receipt of incremental property taxes levied within the City's redevelopment area. These redevelopment project areas are accounted for by the Winters Community Development Agency. The Agency has issued Tax Allocation Bonds twice. Tax Allocation Bonds Series 2004 were issued February 27, 2004 and Tax Allocations Bonds Series 2007 were issued on May 31, 2007. For more information on the tax allocation bonds please see Note 8b of this report.

Economic Factors and Next Years Budgets and Rates

- Slow growth rate (both residential and commercial).
- Passage of Proposition 1A protected most revenue sources that could be taken away by the State of California
- Implementation of 3%@55 safety retirement plan.
- Implementation of Water and Sewer service rate increases.
- Employee Retention programs
- Slowing local, state and federal economies

All of the above factors were considered in the preparation of the City of Winters 2007-2008 budget. In prior years, when the retirement system was experiencing favorable growth in revenues, employer rates were reduced. This reduction in employer retirement rates was included in the unreserved, but designated fund balance of the general fund in the amount of \$214,599 for the increase in PERS rates with the implementation of the 3% @55 retirement plan. The balance designated for this increase as of June 30, 2006 was 355,628. The implementation of the 3%@55 safety retirement plan did cause significant increases in the employer rate for 2006-2007 and \$160,000 of the designated balance was budgeted for the increase in rates, however, unanticipated revenues were sufficient that only \$141,029 of the designated fund balance was required to offset the increase in the employer retirement rates. For 2007-2008t he designated fund balance will be used to offset \$160,000 of the projected increase in employer cost for the retirement system.

The water and sewer fund rates were increased in the 2006-2007 budget. The water rates were increased 32% and the sewer rates were increased 14%. The rate increases are necessary to continue to maintain an aging infrastructure. The water system is of particular concern, the rates charged to customers in the past failed to provide the revenues necessary to maintain an aging system. In 2005-2006 a water rate study was undertaken to provide the City of Winters with the information necessary to make informed decisions on the proper rates needed to provide revenues in sufficient amounts to adequately maintain the water system. The rates that were recommended by the study were implemented in January 2006; with an additional increase to take effect July 1, 2007 and the budgeted revenues are based on those rates.

Requests for Information

This management's discussion and analysis is designed to provide the City's residents, taxpayers, customer, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Management, 318 First St., Winters, CA 95694

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CITY OF WINTERS
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 16,513,482	\$ 342,372	\$ 16,855,854
Restricted cash and investments with fiscal agents	11,486,225		11,486,225
Accounts receivable	609,123	46,150	655,273
Interest receivable	195,681	3,460	199,141
Notes receivable	4,610,061		4,610,061
Internal balances	(1,016,557)	1,016,557	
Deferred charges, net of accumulated amortization	966,530		966,530
Capital assets not being depreciated	1,145,392	805,055	1,950,447
Capital assets, net of accumulated depreciation	7,122,347	1,220,788	8,343,135
Total assets	41,632,284	3,434,382	45,066,666
LIABILITIES			
Accounts payable	317,216	229,179	546,395
Accrued expenses	94,176		94,176
Accrued interest payable	261,487		261,487
Deposits payable	148,644	40,581	189,225
Noncurrent liabilities:			
Due within one year	299,882	3,168	303,050
Due in more than one year	18,238,933	28,511	18,267,444
Total liabilities	19,360,338	301,439	19,661,777
NET ASSETS			
Invested in capital assets, net of related debt	1,211,842	2,025,843	3,237,685
Restricted for:			
Capital projects	10,317,213		10,317,213
Debt service	898,460		898,460
Housing	3,866,114		3,866,114
Unrestricted	5,978,317	1,107,100	7,085,417
Total net assets	\$ 22,271,946	\$ 3,132,943	\$ 25,404,889

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 1,270,036	\$ 61,589	\$ 212,833	\$ 44,000
Public works	266,764	380,446		
Public safety	2,264,099	153,388	100,000	531
Cultural and recreation	253,530	163,563		
Community development	1,783,897	588,448	2,850,180	480,000
Parks	459,383		32,582	775,000
Streets and highways	101,448		58,683	417,524
Interest on long-term debt	456,876			
Total governmental activities	6,856,033	1,347,434	3,254,278	1,717,055
Business-type Activities:				
Water	651,194	712,125		
Sewer	1,105,717	820,894		
Total business-type activities	1,756,911	1,533,019		
Total primary government	\$ 8,612,944	\$ 2,880,453	\$ 3,254,278	\$ 1,717,055

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Motor vehicle in lieu, unrestricted

Use of money and property

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of fiscal year

Net assets at end of fiscal year

See Notes to Basic Financial Statement

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (951,614)	\$ -	\$ (951,614)
113,682		113,682
(2,010,180)		(2,010,180)
(89,967)		(89,967)
2,134,731		2,134,731
348,199		348,199
374,759		374,759
(456,876)		(456,876)
<u>(537,266)</u>		<u>(537,266)</u>
	60,931	60,931
	(284,823)	(284,823)
	(223,892)	(223,892)
<u>(537,266)</u>	<u>(223,892)</u>	<u>(761,158)</u>
3,291,501	23,451	3,314,952
276,539		276,539
187,939		187,939
837,652		837,652
46,898		46,898
889,692	22,630	912,322
136,703		136,703
50,128	(50,128)	
<u>5,717,052</u>	<u>(4,047)</u>	<u>5,713,005</u>
5,179,786	(227,939)	4,951,847
<u>17,092,160</u>	<u>3,360,882</u>	<u>20,453,042</u>
<u>\$ 22,271,946</u>	<u>\$ 3,132,943</u>	<u>\$ 25,404,889</u>

CITY OF WINTERS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Community Development Capital Projects Fund	Housing Set - Aside Special Revenue Fund	HOME-CHOC Special Revenue Fund
ASSETS				
Cash and investments	\$ 3,203,218	\$ 4,718,956	\$ 2,022,848	\$ -
Restricted cash and investments with fiscal agents		8,850,618	1,466,595	
Accounts receivable	219,279	103,267	26,790	
Interest receivable	43,186	49,063	21,628	
Notes receivable	24,124		329,412	2,843,180
Due from other funds	708,999			
Advances to other funds				
Total assets	\$ 4,198,806	\$ 13,721,904	\$ 3,867,273	\$ 2,843,180
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 133,737	\$ 29,254	\$ 1,159	\$ -
Accrued expenditures	94,176			
Deposits payable	139,055			
Due to other funds				
Deferred revenue	24,124		329,412	2,843,180
Advances from other funds				
Total liabilities	391,092	29,254	330,571	2,843,180
Fund balances:				
Reserved:				
Advances to other funds				
Capital equipment	318,719			
Low and moderate income housing			3,536,702	
Debt service				
Encumbrances	88,273			
Unreserved reported in:				
General fund	3,400,722			
Special revenue funds				
Capital projects funds		13,692,650		
Total fund balances	3,807,714	13,692,650	3,536,702	
Total liabilities and fund balances	\$ 4,198,806	\$ 13,721,904	\$ 3,867,273	\$ 2,843,180

See Notes to Basic Financial Statements

Community Development Debt Service Fund	General Plan 1992 Capital Projects Fund	Sewer Impact Fees Capital Projects Fund	Other Governmental Funds	Totals
\$ 11,630	\$ -	\$ 777,408	\$ 5,761,684	\$ 16,495,744
1,169,012				11,486,225
7,459		9,931	259,787	609,123
	5,090		64,414	195,681
			1,408,255	4,610,061
			29,070	738,069
			125,000	125,000
<u>\$ 1,188,101</u>	<u>\$ 5,090</u>	<u>\$ 787,339</u>	<u>\$ 7,648,210</u>	<u>\$ 34,259,903</u>
\$ 80,342	\$ -	\$ -	\$ 52,506	\$ 296,998
				94,176
	580,030	1,016,557	9,589	148,644
	5,090		158,039	1,754,626
			1,408,255	4,610,061
			125,000	125,000
<u>80,342</u>	<u>585,120</u>	<u>1,016,557</u>	<u>1,753,389</u>	<u>7,029,505</u>
			125,000	125,000
				318,719
1,107,759				3,536,702
		140	52,188	1,159,947
			134,146	222,559
				3,400,722
	(580,030)	(229,358)	1,160,617	1,160,617
			4,422,870	17,306,132
<u>1,107,759</u>	<u>(580,030)</u>	<u>(229,218)</u>	<u>5,894,821</u>	<u>27,230,398</u>
<u>\$ 1,188,101</u>	<u>\$ 5,090</u>	<u>\$ 787,339</u>	<u>\$ 7,648,210</u>	<u>\$ 34,259,903</u>

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CITY OF WINTERS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Fund balances of governmental funds	\$ 27,230,398
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.	8,267,739
Certain notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds	4,610,061
Long-term debt and compensated absences have not been included in the governmental funds.	
Long-term debt	(18,340,000)
Compensated absences	(198,815)
Deferred charges, net of accumulated amortization of \$45,142 for debt issuance costs and discounts on long-term debt, have not been reported in the governmental funds.	966,530
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.	(261,487)
Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.	<u>(2,480)</u>
Net assets of governmental activities	<u>\$ 22,271,946</u>

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	Community Development Capital Projects Fund	Housing Set- Aside Special Revenue Fund	HOME-CHOC Special Revenue Fund
REVENUES				
Taxes and assessments	\$ 2,530,010	\$ -	\$ 420,158	\$
Licenses, permits, and fees	146,149			
Fines and forfeitures	1,184			
Program income			642	
Use of money and property	197,046	204,285	147,070	
Intergovernmental revenues				2,850,180
Charges for services	96,102			
Refunds and reimbursements	28,534			
Miscellaneous	121,769	476,890		
Total revenues	3,120,794	681,175	567,870	2,850,180
EXPENDITURES				
Current:				
General government	280,853	313,261	70,412	
Public works	210,267			
Public safety	1,982,149			
Cultural and recreation	209,785			
Community development	460,497	56,600	1,391,409	2,843,180
Parks				
Streets and highways				
Pass-through agreements		311,472		
Capital outlay	12,751	1,464,694		
Debt service:				
Principal			70,000	
Interest			132,993	
Bond issue costs				
Total expenditures	3,156,302	2,146,027	1,664,814	2,843,180
Excess of revenues over (under) expenditures	(35,508)	(1,464,852)	(1,096,944)	7,000
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt				
Transfers in	222,072	10,198,245	1,466,595	
Transfers out	(241,061)			(7,000)
Total other financing sources (uses)	(18,989)	10,198,245	1,466,595	(7,000)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(54,497)	8,733,393	369,651	
Fund Balances - July 1, 2006	3,862,211	4,959,257	3,167,051	-
Fund Balances - June 30, 2007	\$ 3,807,714	\$ 13,692,650	\$ 3,536,702	\$ -

See Notes to Basic Financial Statements

Community Development Debt Service Fund	General Plan 1992 Capital Projects Fund	Sewer Impact Fees Capital Projects Fund	Other Governmental Funds	Totals
\$ 1,680,636	\$ -	\$ -	\$ 321,197	\$ 4,952,001
		114,664	552,059	812,872
			26,234	27,418
23,248		38,541	89,384	90,026
			279,502	889,692
			871,153	3,721,333
				96,102
				28,534
			788,044	1,386,703
<u>1,703,884</u>		<u>153,205</u>	<u>2,927,573</u>	<u>12,004,681</u>
			68,614	733,140
			531	210,798
			234,547	2,216,696
				209,785
			5,614	4,757,300
			459,383	459,383
			37,125	37,125
				311,472
		12,489	1,350,435	2,840,369
205,000				275,000
139,434				272,427
613,589				613,589
<u>958,023</u>		<u>12,489</u>	<u>2,156,249</u>	<u>12,937,084</u>
<u>745,861</u>		<u>140,716</u>	<u>771,324</u>	<u>(932,403)</u>
11,470,000				11,470,000
(11,664,840)	36,157		230,379	12,153,448
			(190,419)	(12,103,320)
<u>(194,840)</u>	<u>36,157</u>		<u>39,960</u>	<u>11,520,128</u>
551,021	36,157	140,716	811,284	10,587,725
<u>556,738</u>	<u>(616,187)</u>	<u>(369,934)</u>	<u>5,083,537</u>	<u>16,642,673</u>
<u>\$ 1,107,759</u>	<u>\$ (580,030)</u>	<u>\$ (229,218)</u>	<u>\$ 5,894,821</u>	<u>\$ 27,230,398</u>

CITY OF WINTERS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$ 10,587,725
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	2,487,815
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. When the note is collected it is reflected in revenue. This amount is the net change between notes receivable collected and issued.	2,905,244
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.	
Bond issue costs	613,589
Issuance of bonds	(11,470,000)
Repayment of bond principal	275,000
Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. This is the amount of amortization of debt issuance costs in the current period.	(14,688)
Accrued interest payable is interest due on long-term debt. This is the net change in accrued interest in the current period.	(169,761)
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	(35,118)
Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenues (expenses) of the internal service funds is reported under governmental activities.	(20)
Change in net assets of governmental activities	<u>\$ 5,179,786</u>

See Notes to Basic Financial Statements

General Fund

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund.

CITY OF WINTERS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 2,403,540	\$ 2,403,540	\$ 2,530,010	\$ 126,470
Licenses, permits, and fees	181,219	181,219	146,149	(35,070)
Fines and forfeitures	750	750	1,184	434
Use of money and property	138,525	138,525	197,046	58,521
Charges for services	82,374	82,374	96,102	13,728
Refunds and reimbursements	81,592	81,592	28,534	(53,058)
Miscellaneous	20,100	20,100	121,769	101,669
Total revenues	2,908,100	2,908,100	3,120,794	212,694
EXPENDITURES				
Current:				
General government	330,094	344,298	280,853	63,445
Public works	388,831	395,589	210,267	185,322
Public safety	2,046,329	2,033,740	1,982,149	51,591
Cultural and recreation	229,081	233,210	209,785	23,425
Community development	463,470	463,470	460,497	2,973
Capital outlay			12,751	(12,751)
Total expenditures	3,457,805	3,470,307	3,156,302	314,005
Excess of revenues over (under) expenditures	(549,705)	(562,207)	(35,508)	526,699
OTHER FINANCING SOURCES (USES)				
Transfers in	268,083	268,083	222,072	(46,011)
Transfers out	(199,672)	(199,672)	(241,061)	(41,389)
Total other financing sources (uses)	68,411	68,411	(18,989)	(87,400)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(481,294)	(493,796)	(54,497)	439,299
Fund Balance - July 1, 2006	3,862,211	3,862,211	3,862,211	
Fund Balance - June 30, 2007	\$ 3,380,917	\$ 3,368,415	\$ 3,807,714	\$ 439,299

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING SET-ASIDE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 350,787	\$ 350,787	\$ 420,158	\$ 69,371
Use of money and property	129,264	129,264	147,070	17,806
Program income			642	642
Total Revenues	480,051	480,051	567,870	87,819
EXPENDITURES				
Current:				
General government	121,064	121,064	70,412	50,652
Community development	1,450,000	1,450,000	1,391,409	58,591
Debt service:				
Principal	70,000	70,000	70,000	
Interest	132,993	132,993	132,993	
Total Expenditures	1,774,057	1,774,057	1,664,814	109,243
Excess of revenues over (under) expenditures	(1,294,006)	(1,294,006)	(1,096,944)	197,062
OTHER FINANCING SOURCES (USES)				
Transfers in			1,466,595	1,466,595
Total other financing sources (uses)			1,466,595	1,466,595
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,294,006)	(1,294,006)	369,651	1,663,657
Fund Balance - July 1, 2006	3,167,051	3,167,051	3,167,051	
Fund Balance - June 30, 2007	\$ 1,873,045	\$ 1,873,045	\$ 3,536,702	\$ 1,663,657

See Notes to Basic Financial Statements

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Enterprise Funds and Internal Service Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City Council of the City of Winters is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water Fund – This fund is used to account for the water operations and maintenance activities of the City of Winters.

Sewer Fund – This fund is used to account for the sewer operations and maintenance activities of the City of Winters.

The Internal Service Fund accounts for financial transactions related to the City's billing and collections. These services are provided to other departments of the City on a cost reimbursement basis.

CITY OF WINTERS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities -			Governmental
	Enterprise Funds			Internal
	Water	Sewer	Totals	Service Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 238,228	\$ 104,144	\$ 342,372	\$ 17,738
Accounts receivable, net	19,533	26,617	46,150	
Interest receivable	2,105	1,355	3,460	
Due from other funds		1,016,557	1,016,557	
Total current assets	259,866	1,148,673	1,408,539	17,738
Noncurrent Assets:				
Capital assets not being depreciated	272,076	532,979	805,055	
Capital assets, net of accumulated depreciation	210,623	1,010,165	1,220,788	
Total noncurrent assets	482,699	1,543,144	2,025,843	
Total assets	742,565	2,691,817	3,434,382	17,738
LIABILITIES				
Current Liabilities:				
Accounts payable	156,485	72,694	229,179	20,218
Deposits payable	40,581		40,581	
Total current liabilities	197,066	72,694	269,760	20,218
Noncurrent liabilities:				
Compensated absences	20,406	11,273	31,679	
Total noncurrent liabilities	20,406	11,273	31,679	
Total liabilities	217,472	83,967	301,439	20,218
NET ASSETS				
Invested in capital assets, net of related debt	482,699	1,543,144	2,025,843	
Unrestricted	42,394	1,064,706	1,107,100	(2,480)
Total net assets	\$ 525,093	\$ 2,607,850	\$ 3,132,943	\$ (2,480)

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water	Sewer	Totals	Internal Service Fund
Operating Revenues:				
Charges for services (net of refunds)	\$ 701,066	\$ 820,894	\$ 1,521,960	\$ 382,508
Late fees	11,059		11,059	
Total operating revenues	712,125	820,894	1,533,019	382,508
Operating Expenses:				
Cost of sales	174,683	641,555	816,238	237,809
Material, supplies, and miscellaneous	12,827	32,004	44,831	
Insurance				69,078
Administration	224,087	177,366	401,453	
Fuels, lubricants, and maintenance	34,421		34,421	5,480
Contract services	43,324	151,161	194,485	24,591
Utilities	140,478	63,016	203,494	45,570
Depreciation	21,374	34,615	55,989	
Total operating expenses	651,194	1,099,717	1,750,911	382,528
Operating income (loss)	60,931	(278,823)	(217,892)	(20)
Non-Operating Revenues (Expenses):				
Interest income	6,575	16,055	22,630	
Interest expense		(6,000)	(6,000)	
Property taxes		23,451	23,451	
Total non-operating revenues (expenses)	6,575	33,506	40,081	
Income (Loss) before transfers	67,506	(245,317)	(177,811)	(20)
Transfers in	8,813		8,813	
Transfers out	(27,419)	(31,522)	(58,941)	
Changes in net assets	48,900	(276,839)	(227,939)	(20)
Total Net Assets - July 1, 2006	476,193	2,884,689	3,360,882	(2,460)
Total Net Assets - June 30, 2007	\$ 525,093	\$ 2,607,850	\$ 3,132,943	\$ (2,480)

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities -			Governmental Activities-
	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 713,774	\$ 816,472	\$ 1,530,246	\$ 382,508
Cash paid to suppliers for goods and services	(284,320)	(868,099)	(1,152,419)	(370,649)
Cash paid to employees for services	(229,385)	(179,777)	(409,162)	
Net cash provided (used) by operating activities	200,069	(231,404)	(31,335)	11,859
Cash Flows from Non-Capital Financing Activities:				
Transfers in (out)	(18,606)	(31,522)	(50,128)	
Property taxes		23,451	23,451	
Net cash provided (used) by non-capital financing activities	(18,606)	(8,071)	(26,677)	
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(158,981)	(72,993)	(231,974)	
Principal paid on debt		(120,000)	(120,000)	
Interest paid on debt		(6,000)	(6,000)	
Net cash provided (used) by capital and related financing activities	(158,981)	(198,993)	(357,974)	
Cash Flows from Investing Activities:				
Interest received	5,120	20,071	25,191	
Net cash provided (used) by investing activities	5,120	20,071	25,191	
Net increase (decrease) in cash and cash equivalents	27,602	(418,397)	(390,795)	11,859
Cash and Cash Equivalents at Beginning of Fiscal Year	210,626	522,541	733,167	5,879
Cash and Cash Equivalents at End of Fiscal Year	\$ 238,228	\$ 104,144	\$ 342,372	\$ 17,738
Reconciliation to Statement of Net Assets:				
Cash and investments	\$ 238,228	\$ 104,144	\$ 342,372	\$ 17,738
	\$ 238,228	\$ 104,144	\$ 342,372	\$ 17,738

(Continued)

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

(Continued)

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water	Sewer	Totals	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 60,931	\$ (278,823)	\$ (217,892)	\$ (20)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	21,374	34,615	55,989	
(Increase) decrease in accounts receivable	(3,971)	(4,422)	(8,393)	
Increase (decrease) in accounts payable	121,413	19,637	141,050	11,879
Increase (decrease) in compensated absences	(5,298)	(2,411)	(7,709)	
Increase (decrease) in deposits payable	5,620		5,620	
Total adjustments	139,138	47,419	186,557	11,879
Net cash provided by (used by) operating activities	\$ 200,069	\$ (231,404)	\$ (31,335)	\$ 11,859

See Notes to Basic Financial Statements

CITY OF WINTERS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 518,516
Interest receivable	<u>7,115</u>
Total Assets	<u>\$ 525,631</u>
Liabilities:	
Accounts payable	2,034
Deposits payable	<u>523,597</u>
Total Liabilities	<u>\$ 525,631</u>

See Notes to Basic Financial Statements

Notes to Basic Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The City of Winters was incorporated in 1898 under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities.

The City is governed by a city council of five members. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the City of Winters (the primary government) and its component unit. The component unit discussed in Note B is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

B. Individual Component Unit Disclosures

Blended Component Unit. The Winters Community Development Agency (Agency), was created in 1990 and is governed by the City Council of the City of Winters. Although it is legally separate from the City, the Agency is reported as if it were part of the primary government because the City Council is the governing board, and is able to impose its will on the Agency. The Agency is reported as separate funds in the Capital Projects, Special Revenue, and Debt Service Funds. To receive a copy of the Winters Community Development Agency's financial statement, please contact: Shelly Gunby, City of Winters, 318 First St., Winters CA 95694.

Discretely Presented Component Units. There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No.14 as amended by GASB Statement No.39, criteria for discrete disclosure within these financial statements.

C. Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Community Development Capital Projects Fund – This fund accounts for redevelopment projects and capital outlays.

Housing Set-Aside Special Revenue Fund – This fund accounts for the portion of City tax increment funds received for redevelopment related purposes and set aside for low-and-moderate-income housing.

HOME-CHOC Special Revenue Fund – This fund accounts for gap financing for the 34 unit income restricted apartment complex developed by CHOC (Community Housing Opportunity Corporation).

Community Development Debt Service Fund – This fund accounts for debt service payments on the Community Development Agency’s long-term debt issue.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

General Plan 1992 Capital Projects Fund – This fund accounts for the activity related to the 1992 General Plan.

Sewer Impact Fees Capital Projects Fund – This fund accounts for the collection and spending of sewer impact fees.

The City reports the following major proprietary funds:

The Water Enterprise Fund – This fund accounts for the operation and maintenance of the City's water distribution system.

The Sewer Enterprise Fund – This fund accounts for the operation and maintenance of the City's wastewater collection system including operating costs of the wastewater treatment facility.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for financial transactions related to the City's billing and collections. These services are provided to other departments of the City on a cost reimbursement basis.

The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, and private organizations. These funds are not included in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For proprietary fund type activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues

NOTE 1 – Summary of Significant Accounting Policies (Continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Assets, Liabilities, Net Assets or Equity

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

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

The City'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 determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Net Assets or Equity (Continued)

Property Taxes

Assessed values for purposes of property taxes are determined on an annual basis for the period July 1 to June 30 by the Yolo County Assessor as of January 1. Taxes are levied annually on July 1 and become a lien on real property at January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed. Unsecured taxes become delinquent if not paid by August 31.

Restricted Assets

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance; resolutions and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2007.

Buildings and improvements are depreciated using the straight-line method over estimated useful lives of 50 years. Infrastructure is depreciated over 50 years using the straight-line method. Machinery and equipment is depreciated over 10 years, while vehicles are depreciated over 5 years.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Net Assets or Equity (Continued)

Capital Assets (Continued)

The capitalization policy of the City is as follows:

<u>Type</u>	<u>Cost</u>
Infrastructure	\$ 200,000 or more
Utility Systems	\$ 200,000 or more
Vehicles, Equipment, and Machinery	\$ 5,000 or more
Improvements	\$ 5,000 or more
Land and Buildings	\$ 50,000 or more

Compensated Absences

A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2007. Accumulated unpaid vacation and sick pay are accrued when earned. The amounts accrued for financial statement purposes represent 100% of the vacation pay liability and a qualifying amount of the sick pay liability at June 30, 2007.

The City offers no post-employment benefits to the employees at this time.

Short-Term Obligations

The City has no short-term debt transactions to report for the fiscal year.

Long-Term Obligations

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

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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Net Assets or Equity (Continued)

Net Assets and Fund Equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statement, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

G. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. Allowance for Uncollectible Utility Accounts

The City has not established a provision for uncollectible accounts receivables, which are recorded in the Enterprise Funds, as all delinquent accounts are submitted to Yolo County for inclusion as additions to the tax rolls and are considered fully collectible. The City exercises an aggressive collection procedure on delinquent accounts throughout the year.

I. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, are employed as an extension of formal budgetary integration in the governmental fund types.

J. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public meetings are conducted to obtain taxpayer comments.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

J. Budgets and Budgetary Accounting (Continued)

- (3) Prior to July 1, the budget is legally approved by the City Council.
- (4) The City Manager is authorized to transfer budgeted amounts between line items within any department and budget amounts between departments; however, City Council is authorized to transfer budgeted amounts between funds and any revisions which alter total expenditures of the City.
- (5) Formal budgetary integration is employed as a management control device during the year for all funds.
- (6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All unexpended appropriations lapse at the end of the fiscal year. There were no budgets prepared for the HOME-CHOC Special Revenue Fund, Safe Routes to School Special Revenue Fund, After School Special Revenue Fund, 05-STBG-1414 Special Revenue Fund, HOME 98-347 Grant Special Revenue Fund, EDBG 96-405 Grant Special Revenue Fund, HOME Program RLF Special Revenue Fund, or Small Business RLF Special Revenue Fund.

NOTE 2 – Stewardship, Compliance, and Accountability

Deficit Fund Balances/Net Assets

As of June 30, 2007 the following funds had a deficit fund balance or net assets:

Major Funds:

General Plan 1992 Fund	\$ 580,030
Sewer Impact Fees Fund	229,218

Nonmajor Special Revenue Funds:

Safe Routes to School Fund	31,485
Park Grant Fund	531
05-STBG-1414 Fund	708
STBG 700 Housing Grant Fund	1,971
STBG 96-1043 Grant Fund	29,070

Nonmajor Capital Projects Funds:

Flood Control Study Fund	123,810
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Internal Service Fund

2,480

CITY OF WINTERS
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Funds:	
General Fund	
Capital outlay	\$ 12,751
Community Development Capital Projects Fund	
General government	16,341
Nonmajor Special Revenue Fund:	
Workforce Grant Fund	9,235
Park Grant Fund	5,784
Traffic Safety Fund	30,996
Nonmajor Capital Projects Funds:	
Monitoring Fee Fund	77

NOTE 3 - 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	\$ 785,185
Construction in progress	<u>360,207</u>
Capital Assets not being depreciated	<u>\$ 1,145,392</u>
Buildings and improvements	\$ 4,032,043
Vehicles and equipment	1,461,288
Infrastructure	4,104,940
Less: accumulated depreciation	<u>(2,475,924)</u>
Capital assets, net of accumulated depreciation	<u>\$ 7,122,347</u>

**NOTE 3 - 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 issuance costs, net of accumulated amortization of \$45,142	<u>\$ 966,530</u>
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Certain liabilities, including bonds payable 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	\$ (18,340,000)
Compensated absences payable	<u>(198,815)</u>
	<u>\$ (18,538,815)</u>

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	\$ 2,734,296
Current fiscal year depreciation	<u>(246,481)</u>
	<u>\$ 2,487,815</u>

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:

Repayment of bond principal	\$ 275,000
Issuance of long-term debt	(11,470,000)
Amortization of deferred charges	(14,688)
Change in accrued interest payable	(169,761)
Change in compensated absences	<u>(35,118)</u>
	<u>\$ (11,414,567)</u>

CITY OF WINTERS
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 4 – Cash and Investments

Statement of Net Assets:	
Cash and investments	\$ 16,855,854
Restricted cash and investments	11,486,225
Statement of Fiduciary Net Assets:	
Cash and investments	<u>518,516</u>
Total	<u>\$ 28,860,595</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	12,411,942
Investments	<u>16,448,153</u>
Total	<u>\$ 28,860,595</u>

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

The table below identifies the investment types that are authorized for the City of Winters by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City'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 City, 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	\$40 million	\$40 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%

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 City'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 4 - 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%
Guaranteed Investment Contracts	N/A	None	None
Money Market Funds	N/A	None	None

Per the City'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 Council 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 City 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 City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)						
	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	\$ 15,282,101	\$ 15,282,101	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	4,129	4,129					
Held by bond trustees:							
Money Market Funds	619,655	619,655					
Investment Contract	542,268						542,268
	<u>\$ 16,448,153</u>	<u>\$ 15,905,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,268</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by

NOTE 4 - Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

(where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 15,282,101	N/A	\$ -	\$ -	\$ -	\$ -	\$ 15,282,101
Money Market Funds held by bond trustees:	4,129	N/A					4,129
Money Market Funds	619,655	N/A		619,655			
Investment Contract	542,268	N/A					542,268
Total	\$ 16,448,153		\$ -	\$ 619,655	\$ -	\$ -	\$ 15,828,498

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments (other than the State Investment Pool) that represent 5% or more of total City 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 City'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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2007, \$12,445,467 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for

NOTE 4 - Cash and Investments (Continued)

Investment in State Investment Pool (Continued)

the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 5 – Notes Receivable

Notes receivable from mortgage loans for housing and commercial property rehabilitation and construction:

	<u>Amount</u>
Housing Set-Aside	\$ 329,412
HOME-CHOC	2,843,180
STBG 700 Housing	56,438
STBG 96-1043	37,883
HOME 98-347	152,146
EDBG 99-688	192,640
EDBG 96-405	222,989
RLF - Housing Rehabilitation	94,350
RLF - HOME Program	277,043
RLF - First Time Homebuyer	<u>358,096</u>

Total housing and property rehabilitation and construction notes receivable

4,564,177

Notes receivable for building permits:

General fund	24,124
Park and recreation impact fees	5,406
Police impact fees	4,661
Fire impact fees	4,661
General facilities impact fees	1,942
General plan 1992	<u>5,090</u>

Total building permits notes receivable

45,884

Total notes receivable

\$ 4,610,061

NOTE 6 – Interfund Transactions

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following presents a summary of current interfund balances at June 30, 2007.

NOTE 6 – Interfund Transactions (Continued)

A. Current Interfund Balances (Continued)

Receivable Fund	Amount	Payable Fund	Amount
Major Fund: General	\$ 708,999	Major Funds: General Plan 1992 Sewer Impact Fees	\$ 580,030 1,016,557
Nonmajor Funds: Housing Rehabilitation RLF First Time Homebuyer RLF	11,643 17,427	Nonmajor Funds: Gas Tax Safe Routes to School Park Grant After School STBG 700 Housing Grant STBG 96-1043	12,804 26,255 531 87,408 1,971 29,070
Major Enterprise Fund: Sewer	<u>1,016,557</u>		
Totals	<u>\$ 1,754,626</u>		<u>\$ 1,754,626</u>

B. Long-term Interfund Advances

At June 30, 2007, the funds below have made/received advances that were not expected to be repaid within one year. These advances were for a flood solution study for North Winters.

Receivable Fund	Amount	Payable Fund	Amount
Nonmajor Funds: Street Impact Fees Storm Drain Impact Fees	\$ 95,000 <u>30,000</u>	Nonmajor Fund: Flood Control Study	\$ 125,000
Totals	<u>\$ 125,000</u>		<u>\$ 125,000</u>

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund, less often, a transfer may be made to open or close a fund.

NOTE 6 – Interfund Transactions (Continued)

C. Transfers Between Funds (Continued)

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 222,072	\$ (241,061)
Community Development Capital Projects Fund	10,198,243	
Housing Set-Aside Special Revenue Fund	1,466,595	
HOME-CHOC Special Revenue Fund		(7,000)
Community Development Debt Service Fund		(11,664,838)
General Plan 1992 Fund	36,157	
Water Fund	8,813	(27,419)
Sewer Fund		(31,522)
Nonmajor Funds:		
City Wide Assessment Fund	70,253	
Gas Tax Fund	10,808	(60,163)
STBG 700 Housing Grant Fund		(10,653)
STBG 96-1043 Grant Fund		(8,651)
HOME 98-347 Grant Fund		(49,436)
EDBG 99-688 Grant Fund		(18,965)
EDBG 96-405 Grant Fund	1,274	
Housing Rehabilitation RLF Fund	4,852	
HOME Program RLF Fund	49,436	(4,944)
First Time Homebuyer RLF Fund	5,800	(1,450)
Small Business RLF Fund	27,793	
Monitoring Fee Fund		(36,157)
Street Impact Fees Fund	60,163	
	<u>\$ 12,162,259</u>	<u>\$(12,162,259)</u>

CITY OF WINTERS
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – Capital Assets

A. Governmental Activities

Capital assets governmental activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at July 1, 2006	Additions	Transfers	Balance at June 30, 2007
Capital Assets, not being depreciated:				
Land	\$ 611,494	\$ 173,691	\$ -	\$ 785,185
Construction in progress	653,180	291,473	(584,446)	360,207
Total	<u>1,264,674</u>	<u>465,164</u>	<u>(584,446)</u>	<u>1,145,392</u>
Capital Assets, being depreciated:				
Buildings and improvements	2,382,043	1,650,000		4,032,043
Vehicles and equipment	1,273,157	188,131		1,461,288
Infrastructure	3,089,493	431,001	584,446	4,104,940
Total	<u>6,744,693</u>	<u>2,269,132</u>	<u>584,446</u>	<u>9,598,271</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,230,243)	(54,372)		(1,284,615)
Vehicles and equipment	(918,867)	(111,703)		(1,030,570)
Infrastructure	(80,333)	(80,406)		(160,739)
Total	<u>(2,229,443)</u>	<u>(246,481)</u>		<u>(2,475,924)</u>
Total, net of accumulated depreciation	<u>4,515,250</u>	<u>2,022,651</u>	<u>584,446</u>	<u>7,122,347</u>
Total Capital Assets, Net	<u>\$ 5,779,924</u>	<u>\$ 2,487,815</u>	<u>\$ -</u>	<u>\$ 8,267,739</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

General government	\$ 30,736
Public safety	47,403
Public works	102,730
Cultural and recreation	43,745
Community development	21,867
Total	<u>\$ 246,481</u>

CITY OF WINTERS
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – Capital Assets (Continued)

B. Business-type activities

Capital assets business-type activity for the fiscal year ended June 30, 2007 was as follows:

Capital Assets Business-type Activity				
	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
Water Fund:				
Capital assets, not being depreciated:				
Land	\$ 150,000	-	-	\$ 150,000
Construction in progress		122,076		122,076
Total	150,000	122,076		272,076
Capital assets, being depreciated:				
Water pipes	7,597,400			7,597,400
Machinery and equipment	159,230	36,905		196,135
Infrastructure	126,791			126,791
Total	7,883,421	36,905		7,920,326
Less accumulated depreciation for:				
Water pipes	(7,597,400)			(7,597,400)
Machinery and equipment	(88,393)	(18,838)		(107,231)
Infrastructure	(2,536)	(2,536)		(5,072)
Total	(7,688,329)	(21,374)		(7,709,703)
Total net of accumulated depreciation	195,092	15,531		210,623
Water Fund Capital Assets, net	\$ 345,092	\$ 137,607	\$ -	\$ 482,699
Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 532,979	-	-	\$ 532,979
Total	532,979			532,979
Capital assets, being depreciated:				
Infrastructure	300,714			300,714
Sewer plant and pipes	6,496,559			6,496,559
Machinery and equipment	71,928	72,993		144,921
Total	6,869,201	72,993		6,942,194
Less accumulated depreciation for:				
Infrastructure	(10,876)	(6,015)		(16,891)
Sewer plant and pipes	(5,853,666)	(19,095)		(5,872,761)
Machinery and equipment	(32,872)	(9,505)		(42,377)
Total	(5,897,414)	(34,615)		(5,932,029)
Total net of accumulated depreciation	971,787	38,378		1,010,165
Sewer Fund Capital Assets, net	\$ 1,504,766	\$ 38,378	\$ -	\$ 1,543,144
Total Capital Assets, net	\$ 1,849,858	\$ 175,985	\$ -	\$ 2,025,843

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

Business-Type Activities:

Water	\$ 21,374
Sewer	34,615
Total	\$ 55,989

CITY OF WINTERS
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 8 – Long-term Liabilities

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

	Balance at July 1, 2006	Additions	Repayments	Balance at June 30, 2007	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 163,697	\$ 60,641	\$ 25,523	\$ 198,815	\$ 19,882
Tax allocation bonds payable	7,145,000	11,470,000	275,000	18,340,000	280,000
Total	\$ 7,308,697	\$ 11,530,641	\$ 300,523	\$ 18,538,815	\$ 299,882
Business-type Activities:					
Water Utility Fund:					
Compensated absences	\$ 25,704	\$ 1,392	\$ 6,690	\$ 20,406	\$ 2,041
Sewer Fund:					
Compensated absences	13,684	812	3,223	11,273	1,127
General obligation bonds payable	120,000		120,000		
Total	\$ 159,388	\$ 2,204	\$ 129,913	\$ 31,679	\$ 3,168

b. Governmental Activities – Tax Allocation Bonds Payable
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 will provide 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, 2007, is \$6,870,000.

The scheduled annual minimum debt service requirements at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 280,000	\$ 266,877	\$ 546,877
2009	280,000	261,277	541,277
2010	220,000	256,002	476,002
2011	230,000	251,367	481,367
2012	235,000	244,893	479,893
2013-2017	975,000	1,124,695	2,099,695
2018-2022	955,000	954,495	1,909,495
2023-2027	1,175,000	719,730	1,894,730
2028-2032	1,465,000	419,670	1,884,670
2033-2035	1,055,000	99,314	1,154,314
Totals	\$ 6,870,000	\$ 4,598,320	\$ 11,468,320

NOTE 8 – Long-term Liabilities (Continued)

b. Governmental Activities – Tax Allocation Bonds Payable (Continued)

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 4.40% and payable semi-annually on March 1 and September 1. These bonds will provide 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, 2007, is \$11,470,000.

The scheduled annual minimum debt service requirements at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ -	\$ 110,107	\$ 110,107
2009		257,393	257,393
2010	15,000	514,523	529,523
2011	240,000	509,460	749,460
2012	240,000	499,860	739,860
2013-2017	1,020,000	2,357,300	3,377,300
2018-2022	620,000	2,216,638	2,836,638
2023-2027	1,120,000	2,039,413	3,159,413
2028-2032	1,795,000	1,721,393	3,516,393
2033-2037	3,030,000	1,214,563	4,244,563
2038-2039	3,390,000	248,188	3,638,188
Totals	<u>\$ 11,470,000</u>	<u>\$ 11,688,838</u>	<u>\$ 23,158,838</u>

c. Business Type Activities – General Obligation Bonds Payable

During the fiscal year ended June 30, 2007, a \$120,000 payment was made towards the principal of this bond. As of June 30, 2007 the outstanding principal balance is \$0.

NOTE 9 – City Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description

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

NOTE 9 – City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Funding Policy - Miscellaneous

Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2007 was 14.364% for miscellaneous employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost – Miscellaneous

For the fiscal year ended June 30, 2007, the City's annual pension cost (employer contribution) of \$139,491 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method.

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

Funding Policy – Safety

Participants are required to contribute 9% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2007 was 25.027% for safety employees. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

Annual Pension Cost – Safety

For the fiscal year ended June 30, 2007, the City's annual pension cost (employer contribution) of \$167,113 for safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a four-year period (smoothed market value).

Three year Trend Information for PERS – Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 106,840	100%	\$ -
6/30/06	127,259	100%	-
6/30/07	139,491	100%	-

NOTE 9 – City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Schedule of Funding Progress for PERS – Miscellaneous Plan (Risk Pool)

Actuarial Valuation Date	Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Liability (Excess Assets) (A-B)	Funded Status (B/A)	Annual Covered Payroll (C)	* UAAL as a % of Covered Payroll (A-B/C)
6/30/2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
6/30/2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
6/30/2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

*UAAL – Unfunded actuarial accrued liability

Three year Trend Information for PERS – Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 131,101	100%	\$ -
6/30/2006	162,827	100%	-
6/30/2007	167,113	100%	-

Schedule of Funding Progress for PERS – Safety Plan (Risk Pool)

Actuarial Valuation Date	Entry Age Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Liability (Excess Assets) (A-B)	Funded Status (B/A)	Annual Covered Payroll (C)	UAAL *as a % of Covered Payroll (A-B/C)
6/30/2004	1,252,474,736	1,026,500,742	225,973,994	82.0%	154,903,754	145.9%
6/30/2005	1,325,510,754	1,105,298,221	220,212,533	83.4%	161,446,071	136.4%
6/30/2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%

*UAAL – Unfunded actuarial accrued liability

NOTE 10 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the City's reported assets.

NOTE 11 – Joint Venture (Joint Powers Agreement)

The City participates in a joint venture under a joint powers agreement (JPA). The relationship between the City of Winters and the JPA is such that the JPA is not a component unit of the City for financial reporting purposes.

Winters Fire Protection District – Fire Protection is provided by an intergovernmental agreement between the City of Winters and the Winters Fire Protection District (District). The agreement transferred all fire protection property of the City to the District. The District Board consists of five members – two appointed by City Council, two appointed by County Board of Supervisors, and one appointed by the other 4 members. The District appoints its own management and approves its own budget.

NOTE 12 – Risk Management (Joint Powers Agreement)

A. Yolo County Public Agency Risk Management Insurance Authority

The City is a member of the Yolo County Public Agency Risk Management Insurance Authority, a joint-powers agreement which provides coverage against the following types of loss risks:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
Liability (\$2,000, except for errors & omissions, which is \$15,000 with a limit of \$500,000)	\$ 25,000,000
Auto - Physical damage (\$5,000 for all vehicles)	up to stated value
Worker's compensation (\$1,000)	\$ 5,000,000
All risk fire & property (various up to \$10,000)	replacement costs
Boiler & machinery (\$1,000)	\$ 100,000,000

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements may be obtained from YCPARMIA, 77 W. Lincoln Ave. Woodland, CA 95695. Audit condensed financial information for the Authority for the most recent period available (for the fiscal year ended June 30, 2006) as audited by other auditors, is presented below:

Statement of Net Assets

Total assets	\$ 17,095,305
Total liabilities	11,477,131
Net Assets	<u>\$ 5,618,174</u>

Statement of Revenues, Expenses, and Changes in Net Assets

Total income	\$ 9,021,980
Total expenses	7,917,889
Increase in Net Assets	<u>\$ 1,104,091</u>

NOTE 12 – Risk Management (Joint Powers Agreement)

B. Liability for Uninsured Claims – Adoption of GASB Statement No. 10

The Governmental Accounting Standards Board (GASB) is requiring municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. GASB Statement No. 10, “Financial Reporting for Risk Financing and Related Insurance Issues” requires that this amount be separately identified and recorded as a liability instead of a designation of fund balance.

The City’s liability for uninsured claims was computed as follows:

<u>General Fund</u>	
Beginning balance	\$ 10,000
Liability for additional uninsured deductible	<u> </u>
Ending balance	<u>\$ 10,000</u>

NOTE 13 – Net Assets and Fund Balances

a. Net Assets

Net assets are divided into three captions under GASB Statement No. 34. These captions apply to net assets as determined at the government-wide level and the fiduciary funds, 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 City’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 City 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.

b. Fund Balances

Fund Balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated.

NOTE 14 – Net Assets – Governmental and Business-type Activities

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The invested in capital assets, net of related debt category presents the City's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the City's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance and can be subdivided into designated and undesignated portions. Designations reflect the City's self-imposed limitations on the use of otherwise available current financial resources. Detail of the three categories is as follows:

	Governmental Activities	Business-type Activities	Totals
Net Assets			
Invested in capital assets, net of related debt:			
Total capital assets, net of accumulated depreciation	\$ 1,211,842	\$ 2,025,843	\$ 3,237,685
Invested in capital assets, net of related debt	<u>1,211,842</u>	<u>2,025,843</u>	<u>3,237,685</u>
Restricted for:			
Capital projects	10,317,213		10,317,213
Housing	3,866,114		3,866,114
Debt service	898,460		898,460
Total Restricted	<u>15,081,787</u>		<u>15,081,787</u>
Unrestricted, designated for:			
Capital projects	350,000		350,000
Future PERS	214,600		214,600
Unrestricted	<u>5,413,717</u>	<u>1,107,100</u>	<u>6,520,817</u>
Total unrestricted	<u>5,978,317</u>	<u>1,107,100</u>	<u>7,085,417</u>
Total net assets	<u>\$ 22,271,946</u>	<u>\$ 3,132,943</u>	<u>\$ 25,404,889</u>

NOTE 15 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of City operations. In the aggregate, those claims seek monetary damages in significant amounts. To the extent the outcome of such litigation may be determined to result in financial loss to the City, in the opinion of City management, any potential liability for these actions is adequately provided for in the basic financial statements. The timing of potential payment of such losses cannot presently be determined.

During 1992 the City closed the Landfill that was formerly operated by the City. Since 1992, the City has incurred post closure costs. During the 2006-07 fiscal year, the City incurred monitoring costs of \$12,154, and is expected to maintain the monitoring of the closed landfill in the near future. The City has plans to build sports fields on the former landfill location in the distant future.

CITY OF WINTERS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 1,403,148	\$ 1,403,148	\$ -	\$ (1,403,148)
Use of money and property	205,701	205,701	204,285	(1,416)
Miscellaneous			476,890	476,890
Total Revenues	1,608,849	1,608,849	681,175	(927,674)
EXPENDITURES				
Current:				
General government	291,792	296,920	313,261	(16,341)
Community development	222,274	222,274	56,600	165,674
Pass through agreements	493,275	493,275	311,472	181,803
Capital outlay	2,512,000	3,215,997	1,464,694	1,751,303
Debt service:				
Principal	205,000	205,000		205,000
Interest	139,434	139,434		139,434
Total Expenditures	3,863,775	4,572,900	2,146,027	2,426,873
Excess of revenues over (under) expenditures	(2,254,926)	(2,964,051)	(1,464,852)	1,499,199
OTHER FINANCING SOURCES (USES)				
Transfers in	22,978	22,978	10,198,245	10,175,267
Total other financing sources (uses)	22,978	22,978	10,198,245	10,175,267
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,231,948)	(2,941,073)	8,733,393	11,674,466
Fund Balance - July 1, 2006	4,959,257	4,959,257	4,959,257	
Fund Balance - June 30, 2007	\$ 2,727,309	\$ 2,018,184	\$ 13,692,650	\$ 11,674,466

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL PLAN 1992 CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total Revenues				
EXPENDITURES				
Current:				
Parks				
Total Expenditures				
Excess of revenues over (under) expenditures				
Other Financing Sources (Uses):				
Transfer in	119,900	119,900	36,157	(83,743)
Total Other Financing Sources (Uses)	119,900	119,900	36,157	(83,743)
Excess of revenues and other sources over (under) expenditures and other uses	119,900	119,900	36,157	(83,743)
Fund Balance (Deficit) - July 1, 2006	(616,187)	(616,187)	(616,187)	
Fund Balance (Deficit) - June 30, 2007	<u>\$ (496,287)</u>	<u>\$ (496,287)</u>	<u>\$ (580,030)</u>	<u>\$ (83,743)</u>

CITY OF WINTERS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEWER IMPACT FEES CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 337,267	\$ 337,267	\$ 114,664	\$ (222,603)
Use of money and property	42,284	42,284	38,541	(3,743)
Miscellaneous	2,000,000	2,000,000		(2,000,000)
Total Revenues	2,379,551	2,379,551	153,205	(2,226,346)
EXPENDITURES				
Capital outlay	3,896,556	3,896,658	12,489	3,884,169
Total Expenditures	3,896,556	3,896,658	12,489	3,884,169
Excess of revenues over (under) expenditures	(1,517,005)	(1,517,107)	140,716	1,657,823
Fund Balance (Deficit) - July 1, 2006	(369,934)	(369,934)	(369,934)	
Fund Balance (Deficit) - June 30, 2007	\$ (1,886,939)	\$ (1,887,041)	\$ (229,218)	\$ 1,657,823