

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL  
YEAR ENDED JUNE 30, 2010





# WINTERS COMMUNITY DEVELOPMENT AGENCY

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# BOLER & ASSOCIATES

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## INDEPENDENT AUDITOR'S REPORT

Chairman and Honorable Directors  
of the Winters Community Development Agency  
Winters, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Winters Community Development Agency (the Agency), a component unit of the City of Winters, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 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.

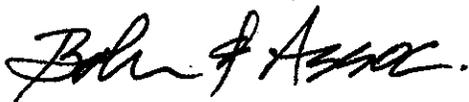
As discussed in Note 1, the financial statements present only the Winters Community Development Agency and are not intended to present fairly the financial position and results of operations of the City of Winters, California, in conformity with accounting principles generally accepted in the United States of America.

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

The Agency has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The Schedule of Revenues, Expenditures, and Changes of Fund Balances – Budget and Actual - Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Revenues, Expenditures, and Changes of Fund Balances – Budget and Actual - Capital Projects Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



October 29, 2010

**BASIC FINANCIAL STATEMENTS**



# WINTERS COMMUNITY DEVELOPMENT AGENCY

## STATEMENT OF NET ASSETS AS OF JUNE 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>CURRENT ASSETS:</b>	
Cash and investments	\$ 472,445
Restricted assets:	
Investments with fiscal agent	11,722,288
Receivables:	
Accounts receivable	81,372
Interest receivable	23,760
Notes receivable	436,438
Deposits	149,681
<b>TOTAL CURRENT ASSETS</b>	<u>12,885,984</u>
<b>NONCURRENT ASSETS:</b>	
Deferred charges, net of accumulated amortization	868,469
Nondepreciable capital assets	4,828,730
Depreciable capital assets, net of accumulate depreciation	3,734,577
<b>TOTAL NON-CURRENT ASSETS</b>	<u>9,431,776</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 22,317,760</u></u>
 <b>LIABILITIES:</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 521,113
Interest payable	252,729
Due to City of Winters, California	2,045,458
Compensated absences, due within one year	3,755
Bonds payable, due within one year	470,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,293,055</u>
<b>NONCURRENT LIABILITIES:</b>	
Compensated absences, due after one year	6,140
Bonds payable, due after one year	16,835,000
<b>TOTAL LIABILITIES</b>	<u><u>\$ 20,134,195</u></u>
 <b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	949,771
Restricted for:	
Low and moderate income housing	1,959,411
Debt service	1,022,699
Capital projects	6,993,866
<b>TOTAL RESTRICTED NET ASSETS</b>	<u>10,925,747</u>
Unrestricted	<u>(8,742,182)</u>
<b>TOTAL NETS ASSETS</b>	<u><u>\$ 2,183,565</u></u>

The accompanying notes to component unit financial statements are an integral part of this statement.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Asset
<b>GOVERNMENTAL ACTIVITIES:</b>					
Legal and professional	\$ 202,736	\$ -	\$ -	\$ -	\$ (202,736)
Administration	9,108	-	-	-	(9,108)
Community development	2,500,566	-	-	-	(2,500,566)
Pass-through agreements	308,024	-	-	-	(308,024)
Interest on long-term debt	760,612	-	-	-	(760,612)
	<u>\$ 3,781,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,781,046)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>					
<b>GENERAL REVENUES:</b>					
Tax increment revenues					1,905,946
Use of money and property					150,605
Other revenues					5,303
<b>TRANSFERS TO OTHER CITY FUNDS</b>					<u>(264,551)</u>
<b>TOTAL GENERAL REVENUES</b>					<u>1,797,303</u>
<b>CHANGE IN NET ASSETS</b>					<u>(1,983,743)</u>
Net assets, July 1					<u>4,167,308</u>
<b>NET ASSETS, JUNE 30</b>					<u>\$ 2,183,565</u>

The accompanying notes to component unit financial statements are an integral part of this statement.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## BALANCE SHEETS - GOVERNMENTAL FUNDS AS OF JUNE 30, 2010

	Housing Set-Aside Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and investments	\$ -	\$ 472,445	\$ -	\$ 472,445
Receivables:				
Accounts receivable	19,057	-	62,315	81,372
Interest receivable	4,010	7,986	11,764	23,760
Notes receivable	369,838	-	66,600	436,438
Deposits	149,681	-	-	149,681
Restricted assets:				
Investments with fiscal agent	<u>2,793,825</u>	<u>542,268</u>	<u>8,386,195</u>	<u>11,722,288</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,336,411</u></u>	<u><u>\$ 1,022,699</u></u>	<u><u>\$ 8,526,874</u></u>	<u><u>\$ 12,885,984</u></u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 10,120	\$ -	\$ 510,993	\$ 521,113
Deferred and unearned revenues	369,838	-	66,600	436,438
Due to other fund	<u>1,090,043</u>	<u>-</u>	<u>955,415</u>	<u>2,045,458</u>
<b>TOTAL LIABILITIES</b>	<u>1,470,001</u>	<u>-</u>	<u>1,533,008</u>	<u>3,003,009</u>
<b>FUND BALANCES:</b>				
Fund balances:				
Reserved for:				
Low and moderate income housing	354,155	-	-	354,155
Encumbrances	35,421	-	5,367,789	5,403,210
Debt service	-	1,022,699	-	1,022,699
Unreserved reported in:				
Designated for subsequent year's expenditure	1,476,834	-	1,626,077	3,102,911
Special revenue funds	-	-	-	-
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>1,866,410</u>	<u>1,022,699</u>	<u>6,993,866</u>	<u>9,882,975</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 3,336,411</u></u>	<u><u>\$ 1,022,699</u></u>	<u><u>\$ 8,526,874</u></u>	<u><u>\$ 12,885,984</u></u>

The accompanying notes to component unit financial statements are an integral part of this statement.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS AS OF JUNE 30, 2010

**TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 9,882,975

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

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

Land	\$ 2,563,528	
Construction in progress	2,265,202	
Buildings and improvements	1,053,427	
Equipment	5,431	
Infrastructure	2,993,557	
Less: accumulated depreciation	<u>(317,838)</u>	8,563,307

Certain notes receivable and accounts receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds. 436,438

Long-term assets and liabilities are not due and payable in the current period and therefore are not reported in the governmental funds' balance sheet:

Deferred charges associated with the issuance of bonds	\$ 1,011,672	
Less: accumulated amortization	(143,203)	
Bonds payable	(17,305,000)	
Compensated absences	<u>(9,895)</u>	(16,446,426)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (252,729)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 2,183,565

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Housing Set-Aside Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>				
Tax increment revenues	\$ 381,189	\$ -	\$ 1,524,757	\$ 1,905,946
Use of money and property	21,986	22,287	106,332	150,605
Other revenues	2,000	-	3,303	5,303
<b>TOTAL REVENUES</b>	<u>405,175</u>	<u>22,287</u>	<u>1,634,392</u>	<u>2,061,854</u>
<b>EXPENDITURES:</b>				
Current:				
Personnel costs	135,218	-	67,518	202,736
Supplies and materials	-	-	8,087	8,087
Other operating costs	1,311,476	-	1,066,133	2,377,609
Pass-through agreements	-	-	308,024	308,024
Debt service:				
Principal payments	85,000	-	375,000	460,000
Interest	198,476	-	566,986	765,462
Capital outlay	-	-	2,904,092	2,904,092
<b>TOTAL EXPENDITURES</b>	<u>1,730,170</u>	<u>-</u>	<u>5,295,840</u>	<u>7,026,010</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,324,995)</u>	<u>22,287</u>	<u>(3,661,448)</u>	<u>(4,964,156)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	22,623	22,623
Transfers out	-	(22,623)	-	(22,623)
Transfer to City of Winters	(113,528)	-	(151,023)	(264,551)
<b>TOTAL OTHER FINANCING</b>	<u>(113,528)</u>	<u>(22,623)</u>	<u>(128,400)</u>	<u>(264,551)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,438,523)</u>	<u>(336)</u>	<u>(3,789,848)</u>	<u>(5,228,707)</u>
<b>FUND BALANCES, JULY 1</b>	<u>3,304,933</u>	<u>1,023,035</u>	<u>10,783,714</u>	<u>15,111,682</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 1,866,410</u>	<u>\$ 1,022,699</u>	<u>\$ 6,993,866</u>	<u>\$ 9,882,975</u>

The accompanying notes to component unit financial statements are an integral part of this statement.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ (5,228,707)**

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay capitalized for the fiscal year	\$ 2,917,121	
Depreciation expense for the current fiscal year	<u>(105,799)</u>	2,811,322

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. This amount is the net change between notes receivable collected and issued.

2,500

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (net change during the current period):

Current amortization of deferred charges	\$ (32,687)	
Principal repayment of bonds	460,000	
Change in accrued interest payable	4,850	
Change in compensated absences	<u>(1,021)</u>	<u>431,142</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS**

**\$ (1,983,743)**

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN IN FUND BALANCES - BUDGET AND ACTUAL - HOUSING SET-ASIDE SPECIAL REVENUE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	HOUSING SET-ASIDE SPECIAL REVENUE FUND			Variance with final budget positive (negative)
	Budgeted amounts		Actual	
	Original	Final		
<b>REVENUES:</b>				
Tax increment revenues	\$ 428,924	\$ 428,924	\$ 381,189	\$ (47,735)
Use of money and property	61,944	61,944	21,986	(39,958)
Other revenues	-	-	2,000	2,000
	<b>490,868</b>	<b>490,868</b>	<b>405,175</b>	<b>(85,693)</b>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES:</b>				
Current:				
Personnel costs	137,453	137,453	135,218	2,235
Other operating costs	1,732,060	1,732,060	1,311,476	420,584
Debt service:				
Principal payments	85,000	85,000	85,000	-
Interest and other charges	198,476	198,476	198,476	-
	<b>2,152,989</b>	<b>2,152,989</b>	<b>1,730,170</b>	<b>422,819</b>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS (DEFECIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,662,121)</b>	<b>(1,662,121)</b>	<b>(1,324,995)</b>	<b>337,126</b>
<b>OTHER FINANCING USES:</b>				
Transfer to City of Winters	(104,439)	(104,439)	(113,528)	(9,089)
	<b>(104,439)</b>	<b>(104,439)</b>	<b>(113,528)</b>	<b>(9,089)</b>
<b>TOTAL OTHER FINANCING USES</b>				
<b>CHANGE IN NET ASSETS</b>	<b>(1,766,560)</b>	<b>(1,766,560)</b>	<b>(1,438,523)</b>	<b>328,037</b>
<b>FUND BALANCES, JULY 1</b>	<b>3,304,933</b>	<b>3,304,933</b>	<b>3,304,933</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 1,538,373</b>	<b>\$ 1,538,373</b>	<b>\$ 1,866,410</b>	<b>\$ 328,037</b>

The accompanying notes to component unit financial statements are an integral part of this statement.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the more significant accounting policies of the Winters Community Development Agency (Agency) is presented to assist the reader in interpreting the financial statements and other data in this report. The accounting policies of the Agency conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

#### A. Organization and Purpose

The Agency was established under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 30000). The Agency was created to revitalize and upgrade a significant area of the community for the purpose of increasing sales and business tax revenues, assuring coordinated growth and stability, and improving the quality of life for residents of the City of Winters (City). The City Council members serve as the governing body of the Agency. The City performs all accounting and administration functions. The Agency has one project area.

The Agency meets the criteria for inclusion as a blended component unit within the City's reporting entity based on the City's oversight responsibility in selection of the governing board. In addition, all of the Agency's activities are conducted within the geographic boundaries of the City. Blended component units, although legally separate entities, are, in substance, part of the City's operation and so data from these units are combined with data from the primary government in the financial statements presentation of the City as a whole.

The Agency's primary source of revenue, other than loans and advances from the City, comes from property taxes, referred to in the accompanying financial statements as "tax increment revenue." Section 333346 subdivision (c) of the California Health and Safety Code requires the Agency project areas to deposit 20% of allocated tax revenues into a Low and Moderate Income Housing Fund.

#### B. Basis of Accounting

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

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Tax increment revenue 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

#### C. Basis of Presentation

##### Government-wide Statements:

The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. The Agency has only governmental activities, which are supported by taxes and intergovernmental revenues.

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. Tax increment revenue and other items not properly included among program revenues are reported instead as general revenues.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### Fund Financial Statements:

The accounts of the Agency are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds. Both of the Agency's funds are considered to be major individual governmental funds and are reported as separate columns in the fund financial statements.

Governmental funds are used to account for the Agency's expendable financial resources and related liabilities. The Agency uses a special revenue fund, debt service fund, and a capital projects fund, to account for financial resources used for the activities of the Agency.

#### D. Major Funds

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

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

- Housing Set-Aside Special Revenue Fund - The Housing Fund accounts for the 20% tax increment income which will be used by the Agency for the purposes of increasing and improving the City's supply of housing for persons and families of very low or moderate income.
- Debt Service Fund – This fund accounts for debt service payments on the Agency's long-term debt issues.
- Capital Projects Fund- the Community Development Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities within the Winters Community Development Agency.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Accounting Policies

##### Revenue

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

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

The Agency has no power to levy tax but does receive tax increment revenue from the City's property tax through Yolo County. Any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

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

##### Property Taxes

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

##### Property Valuations and Tax Levies

The California Community Redevelopment Law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increases in the assessed valuation of a project over the "frozen base" may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of a project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because of permanent reduction of the assessed valuation will cause a concurrent

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reduction of the frozen base so that the production of tax increment income from a new development will not be impaired.

#### Tax Levy Dates

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

#### Tax Collections

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

The Agency has elected to receive the property taxes from the County under the Teeter Bill. Under this program, the Agency receives 100% of the levied property taxes in periodic payments with the County assuming responsibility for the delinquencies.

#### F. Budgets and Budgetary Accounting

The budget for the Agency is adopted by the City Council members, in their capacity as members of the Community Development Agency Board, and provides for the general operation of the capital projects, special revenue, and debt service funds and is prepared on the modified accrual basis of accounting. The budget becomes effective on July 1 of every year. Debt service on the bond issue constitutes a legally authorized "nonappropriated budget".

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

#### G. Long-Term Obligations

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

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred and Unearned Revenues

Deferred revenues in governmental funds arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when resources are received by the Agency before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

I. Estimates

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

J. Encumbrances

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

K. Capital Assets

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

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

The capital assets with limited useful lives are being depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the book value of capital assets.

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

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The capitalization policy of the Agency is as follows:

Type	Cost
Infrastructure	\$200,000 or more
Utility systems	\$200,000 or more
Vehicles, equipment and machinery	\$5,000 or more
Improvements	\$5,000 or more
Land and buildings	\$500,000 or more

#### L. Annual Financial Statement

These financial statements are intended to reflect only the financial position and results of operations of the Winters Community Development Agency. The Agency is a component unit of and is included in the financial statements of the City of Winters, California. For additional information regarding the financial report of the City, please contact: Ms. Shelly Gunby, City of Winters, 318 First Street, Winters, CA, 95694.

#### M. Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the current presentation. These reclassifications had no effect on total assets, liabilities, or net assets as previously stated.

### NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Assets:	
Cash and investments	\$ 472,445
Restricted cash and investments	<u>11,722,288</u>
<b>TOTAL CASH AND INVESTMENTS</b>	<u><u>\$ 12,194,733</u></u>

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Cash and investments held by the Agency at June 30, 2010 consisted of the following:

Deposits with financial institutions	\$	472,445
TOTAL UNRESTRICTED		472,445
Restricted:		
Local Agency Investment Fund (LAIF)		11,180,020
Money market fund		-
Investment agreement		542,268
TOTAL RESTRICTED		11,722,288
TOTAL CASH AND INVESTMENTS	\$	12,194,733

**Investments Authorized: California Government code and Agency's Investment Policy**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$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%
Banker's acceptances (must be dollar denominated)	9 months	40%	15%
Commercial paper	6 months	15%	15%
Negotiable time certificates of deposit	5 years	30%	15%
Medium Term Corporate Notes	5 years	30%	10%
Money market funds	N/A	15%	15%

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Investments Authorized by Debt Agreements**

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

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

**Disclosures Relating to Interest Rate Risk**

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

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

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – CASH AND INVESTMENTS (continued)**

Investment Type	Totals	Remaining maturity (In months)					
		12 or less	13 to 24	25 to 36	37 to 48	49 to 60	60 +
Local Agency Investment Fund	\$ 11,180,020	\$ 11,180,020	\$ -	\$ -	\$ -	\$ -	\$ -
Held by bond trustee: Investment agreement	542,268	-	-	-	-	542,268	-
<b>TOTAL</b>	<b>\$ 11,722,288</b>	<b>\$ 11,180,020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 542,268</b>	<b>\$ -</b>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The Agency has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above). See the City of Winters' Comprehensive Annual Financial Report for more information regarding these disclosures.

**Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of fiscal year end			
				AAA	AA	A	Not Rated
Local Agency Investment Fund	\$ 11,180,020	N/A	\$ -	\$ -	\$ -	\$ -	\$ 11,180,020
Held by bond trustee: Investment contract	542,268	N/A	-	-	-	542,268	-
<b>TOTAL</b>	<b>\$ 11,722,288</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 542,268</b>	<b>\$ 11,180,020</b>

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk**

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

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

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Deletions	Adjustments and Transfers	Balance at June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 1,922,649	\$ 640,878	\$ -	\$ -	\$ 2,563,527
Construction in progress	1,482,675	2,193,770	-	(1,411,243)	2,265,202
Total capital assets not being depreciated	<u>3,405,324</u>	<u>2,834,648</u>	<u>-</u>	<u>(1,411,243)</u>	<u>4,828,729</u>
Capital assets being depreciated:					
Buildings and improvements	1,053,427	-	-	-	1,053,427
Vehicles and equipment	5,431	-	-	-	5,431
Infrastructure	1,499,842	82,473	-	1,411,243	2,993,558

## WINTERS COMMUNITY DEVELOPMENT AGENCY

### NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

#### NOTE 3 – CAPITAL ASSETS (continued)

	Balance at July 1, 2009	Additions	Deletions	Adjustments and Transfers	Balance at June 30, 2010
Less: accumulated depreciation:					
Buildings and improvements	(112,110)	(45,928)	-	-	(158,038)
Vehicles and equipment	(5,431)	-	-	-	(5,431)
Infrastructure	(94,498)	(59,871)	-	-	(154,369)
Total capital assets being depreciated, net	2,346,661	(23,326)	-	1,411,243	3,734,578
<b>CAPITAL ASSETS, NET</b>	<b>\$ 5,751,985</b>	<b>\$ 2,811,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,563,307</b>

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

#### NOTE 4 – LONG-TERM DEBT

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2010:

	Balance at July 1, 2009	Incurred	Retired	Adjust- ments	Balance at June 30, 2010	Due within one year
Governmental activities:						
Tax allocation bonds, Series 2004	\$ 6,310,000	\$ -	\$ (220,000)	\$ -	\$ 6,090,000	\$ 220,000
Tax allocation bonds, Series 2007	11,455,000	-	(240,000)	-	11,215,000	240,000
Compensated absences	8,874	5,027	(4,006)	-	9,895	3,755
<b>TOTAL</b>	<b>\$ 17,773,874</b>	<b>\$ 5,027</b>	<b>\$ (464,006)</b>	<b>\$ -</b>	<b>\$ 17,314,895</b>	<b>\$ 463,755</b>

#### NOTE 4 – LONG-TERM DEBT (continued)

	Balance at July 1, 2009	Incurred	Retired	Adjust- ments	Balance at June 30, 2010
Deferred charges:	\$ 1,011,672	\$ -	\$ -	\$ -	\$ 1,011,672
Less: Accumulated amortization	(110,516)	-	(32,687)	-	(143,203)
<b>TOTAL, NET</b>	<b>\$ 901,156</b>	<b>\$ -</b>	<b>\$ (32,687)</b>	<b>\$ -</b>	<b>\$ 868,469</b>

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 – LONG-TERM DEBT (continued)**

Tax Allocation Bonds – Series 2004

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

\$ 6,090,000

Tax Allocation Bonds – Series 2007

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

11,215,000

TOTAL BONDS PAYABLE

\$17,765,000

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

Year Ending June 30	Tax Allocation Bonds, Series 2004			Tax Allocation Bonds, Series 2007		
	Principal	Interest	TOTAL	Principal	Interest	TOTAL
2011	\$ 230,000	\$ 250,767	\$ 480,767	\$ 240,000	\$ 499,860	\$ 739,860
2012	235,000	244,893	479,893	250,000	490,060	740,060
2013	240,000	238,179	478,179	260,000	479,860	739,860
2014	245,000	230,720	475,720	270,000	469,260	739,260
2015	155,000	224,265	379,265	120,000	461,460	581,460
2016 - 2020	880,000	1,028,643	1,908,643	585,000	2,240,413	2,825,413
2021 - 2025	1,085,000	821,158	1,906,158	1,005,000	2,084,971	3,089,971
2026 - 2030	1,340,000	548,648	1,888,648	1,640,000	1,797,881	3,437,881
2031 - 2035	1,680,000	201,867	1,881,867	2,460,000	1,340,744	3,800,744
2036 - 2040	-	-	-	4,385,000	432,844	4,817,844
	<u>\$ 6,090,000</u>	<u>\$ 3,789,140</u>	<u>\$ 9,879,140</u>	<u>\$ 11,215,000</u>	<u>\$ 10,297,353</u>	<u>\$ 21,512,353</u>

Compensated Absences

The Agency accrues accumulated vacation and compensating time due to its employees. The total amount due at June 30, 2010 is \$9,895.

# WINTERS COMMUNITY DEVELOPMENT AGENCY

## NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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### NOTE 5 – NET ASSETS

The government-wide financial statements utilize a net assets presentation. Net assets consist of the following:

*Invested in capital assets, net of related debt* - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of those assets reduce the balance in this category.

*Restricted net assets* - This category represents net assets with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments; or restrictions imposed by law through constitutional provisions or enabling legislation.

- Restricted for low and moderate income housing - to reflect the portion of net assets legally restricted for low and moderate income housing redevelopment.
- Restricted for debt service - to reflect the portion of net assets legally restricted to make debt service payments.

*Unrestricted net assets* - This category represents net assets of the Agency not restricted for any project or purpose.

### NOTE 6 – FUND EQUITY

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following are the designations and reserves used by the Agency:

- Designated for subsequent year's expenditures
- Reserved for low and moderate-income housing - used to represent that portion of fund balance segregated for low and moderate income housing expenditures and projects.
- Reserved for debt service - used to reflect the portion of fund balance legally restricted to make debt service payments.

### NOTE 7 – NOTES RECEIVABLE

The Agency has issued various first-time homebuyer loans to residents of the City. These loans are payable to the Agency upon sale, transfer of ownership, change in status from owner-occupied to rental, refinancing, or in thirty years, whichever occurs first. The activity of these loans as of June 30, 2010 follows:

**WINTERS COMMUNITY  
DEVELOPMENT AGENCY**

**NOTES TO THE COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Balance at June 30, 2009</u>
Redevelopment notes receivable	<u>\$ 433,938</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 436,438</u>



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SUPPLEMENTARY INFORMATION



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# WINTERS COMMUNITY DEVELOPMENT AGENCY

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	COMMUNITY DEVELOPMENT CAPITAL PROJECTS FUND			Variance with final budget positive (negative)
	Budgeted amounts		Actual	
	Original	Final		
<b>REVENUES:</b>				
Tax increment revenues	\$ 1,715,696	\$ 1,715,696	\$ 1,524,757	\$ (190,939)
Use of money and property	227,334	227,334	106,332	(121,002)
Other revenues	-	-	3,303	3,303
	<b>TOTAL REVENUES</b>	<b>1,943,030</b>	<b>1,634,392</b>	<b>(308,638)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel costs	87,228	87,228	67,518	19,710
Supplies and materials	2,250	2,250	8,087	(5,837)
Other operating costs	1,398,360	1,398,360	1,066,133	332,227
Pass-through agreements	318,965	318,965	308,024	10,941
Debt service:				
Principal payments	375,000	375,000	375,000	-
Interest and other charges	566,986	566,986	566,986	-
Capital outlay	7,652,000	7,652,000	2,904,092	4,747,908
	<b>TOTAL EXPENDITURES</b>	<b>10,400,789</b>	<b>5,295,840</b>	<b>5,104,949</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(8,457,759)</b>	<b>(8,457,759)</b>	<b>(3,661,448)</b>	<b>4,796,311</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	22,623	22,623
Transfers to City of Winters	(147,749)	(147,749)	(151,023)	(3,274)
	<b>TOTAL OTHER FINANCING</b>	<b>(147,749)</b>	<b>(128,400)</b>	<b>19,349</b>
<b>CHANGE IN NET ASSETS</b>	<b>(8,605,508)</b>	<b>(8,605,508)</b>	<b>(3,789,848)</b>	<b>4,815,660</b>
<b>FUND BALANCES, JULY 1</b>	<b>10,783,714</b>	<b>10,783,714</b>	<b>10,783,714</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 2,178,206</b>	<b>\$ 2,178,206</b>	<b>\$ 6,993,866</b>	<b>\$ 4,815,660</b>

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OTHER REPORTS



# BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION  
750 F STREET • DAVIS, CA 95616

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

Chairman and Honorable Directors  
of the Winters Community Development Agency

We have audited the financial statements of the governmental activities and each major fund of the Winters Community Development Agency as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, Board of Directors, others within the entity, and the State Controller's Office and is not intended and should not be used by anyone other than these specified parties.



October 29, 2010

**STATEMENT ON AUDITING STANDARDS NO. 115,  
COMMUNICATING INTERNAL CONTROL RELATED  
MATTERS IDENTIFIED IN AN AUDIT**

Chairman and Honorable Directors  
of the Winters Community Development Agency

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Winters Community Development Agency as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and communicated them in writing to management and those charged with governance on October 29, 2010. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, Agency Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



October 29, 2010