

City of Woodland

December 28, 2007

Honorable Mayor David Flory & Members of the City Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Woodland (City), California for the fiscal year ended June 30, 2007. The report has been developed and organized to conform to generally accepted accounting principles (GAAP) and to meet reporting standards set forth by the California Society of Municipal Finance Officers and the national Government Finance Officers Association.

Local ordinances and state law require that the City issue a report annually on its financial position and changes in financial position, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the City and its component units.

Management's discussion and analysis (MD&A) is required supplementary information and provides information and analysis that users need to interpret the basic financial statements. This transmittal letter is designed to complement the MD&A, which is included in the financial section of this document.

This report will be submitted for consideration of annual award to the Government Finance Officers Association (GFOA) of the United States.

Reporting Entity

The City of Woodland was incorporated as a general law city on February 22, 1871. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), streets, recycling, parks and recreation, water, sewer and storm drain, planning and zoning, building inspection, housing, general administration services and redevelopment. The financial statements of the City include the financial activities of the City as well as the following component units which are controlled by and dependent on the City:

- The Woodland Redevelopment Agency is a separate governmental entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City.
- The Woodland Public Facilities Corporation is a separate governmental entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Corporation has the power to purchase bonds issued by any local agency at public or negotiated sales and may sell such bonds to public or private purchasers at public or negotiated sales.
- The Woodland Finance Authority is a separate governmental entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sales and may sell such bonds to public or private purchasers at public or negotiated sales.

Economic Condition & Outlook

The City is located in what continues to be one of the most prosperous and fastest growing areas of the State. The City is eighty-five miles northeast of San Francisco, and, thus, feels the impact of growth in suburban areas of the greater Bay Area. More importantly, the City is only eighteen miles northwest of Sacramento and shares in the economic trends of the Sacramento Valley Region. Sacramento serves as the state's capitol and center of state government.

The City is a part of Yolo County, which has a well-developed transportation network including road, rail and shipping services. Interstate 80, a transcontinental highway linking San Francisco with points east is nine miles to the south of the City via State Route 113. Interstate 5 bisects the City and serves as the West Coast's major north-south interstate running from the Canadian border to the Mexican border. The Union Pacific railroad crosses the County with its main line generally paralleling Interstate 80, with trunk lines running into adjoining counties. Freight transportation is also provided by several intra-state and transcontinental trucking firms. Waterborne facilities are available through the Sacramento-Yolo Port District immediately to the south of the City. Ships can reach Sacramento from San Francisco Bay in less than eight hours. The Sacramento Metropolitan Airport is located approximately 12 miles east of the City and is served by most major carriers as well as commuter carriers. Airline service is available to all principal cities on the West Coast as well as direct flights to other major cities in the United States. The City has a diversified economic base that has its origins in agriculture. However, due to the proximity of the City to major transportation arteries (Interstate 5 and State Route 113), and major waterways, the City has also become increasingly important as a manufacturing and distribution center of products including food processing, plastics, farm machinery and manufactured homes.

Between 1997 and 2007 the City's population increased by a total of 9,610 or approximately 22%; an average annual increase of approximately 2.2%. The City is the second most populous in the County. The Woodland Area continues to have diverse employment opportunities, with the largest three employment sectors identified as services, government and retail trade.

During the past eight years, the City Council and City Management set a course to identify unfunded needs, adjust fees and rates to a pay-as-you-go philosophy and deliver the programs and services within available resources. Properly managing the growth of the City and using a pay-as-you-go philosophy, reinvesting in an aging infrastructure, meeting clean water regulatory requirements for storm water, waste water plant improvement to satisfy NPDES permit requirements and improving our water supply are key issues that are capital intensive and rate sensitive.

City staff, working in accordance with the City Council's guidance, kept General Fund expenditures in line with projected revenues during FY 06/07. The weakening of the housing market resulted in a decrease in charges for services revenues during FY 07, although property taxes increased primarily due to residential development that occurred during FY 05/06.

Changes in City personnel included an increase in positions for community development, utilities, parks and approval of essential staff positions coinciding with the Spring Lake development.

In June 2004, the City formed the City of Woodland Communities Facilities District No. 2004-1 (Spring Lake), consisting of approximately 657-acres for the development of 2,880 single family homes, 1,160 multifamily units, 11 acres of commercial development and 28 acres of parks, 240 acres of school facilities, one acre fire station and 123 acres designated as streets, greenbelts and drainage. The development, as approved, includes both custom and production homes, and during the year 228 building permits were issued, with approximately 300 homes completed and ready for occupancy. Construction of the backbone infrastructure (including water, sewer, storm drain, and roadway construction) made significant progress throughout the year; a substantial portion of the subdivisions have completed infrastructure.

The City has also made strides in the area of commercial and industrial development. The Gateway project, consisting of 525,000 square feet of retail space planned to include a new Costco, a Target store and other retail shops and restaurants is under construction with the first stores expected to be operational in early calendar year 2008. This development is expected to have a significant positive impact on the local economy.

The Woodland Park Specific Plan (Plan) covers approximately 900 acres in the northeast industrial area and is currently undergoing planning and financial review. The Plan will set the stage for job growth for many years to come and will include land for a corporate campus, research and development, manufacturing and warehousing.

Additional development opportunities are being explored along the East Street Corridor as well as projects within the Redevelopment Area. These projects include the renovation of a Mobile Home Park, live/work projects Downtown, and the possible long-term relocation of the Fair grounds. Additionally, the City has been working with the State Administrative Office of the Courts regarding construction of new courtrooms and consolidation of court operations within the City. This project, in connection with possible relocation of an existing auto dealership, construction of a new downtown parking structure and development of a cinema and retail plaza, present exciting development possibilities for the City.

However, the City is facing a number of fiscal challenges in the coming years. The downturn in the housing economy has an impact on both general fund fees as well as available revenues for the capital funds. Additionally, the City generates a fair amount of sales tax from sales of building materials, which has declined with the decreased construction of residential homes. Temporary funding for a fourth Fire Engine Company expired on June 30, 2007; these operations will become a responsibility of the General Fund. In August 2007, a vote to increase Storm Drain utility user fees was defeated by the citizens; the cost of this operation will also become a General Fund obligation.

Goals, Objectives, and Major Accomplishments during Fiscal Year 2006/2007

The chief function of local government is to serve the best interest of its community. The City Council, as the legislative body, develops policy and directly establishes strategic decisions. The Council's focus for FY 2006/07 was on sustainable improvements with a primary focus on improving the City's internal and external customer services. In addition, other identified areas of importance included providing more information to the community, refining administrative processes and procedures and better utilization of technology.

The notable accomplishments are described below:

City Administration

- Leveraged State and Federal grants
- Structured resolution with Yolo County supporting new State Courts and redevelopment in downtown and government center.
- Created a spending plan for the ½ cent Sales Tax Measure, approved in June 2006, which will generate upwards of \$67 million to leverage other funding sources to upgrade the historic Library, City Hall and historical Opera House, complete the Community Senior Center and Sports Park, and provide substantial funding for park renovations and road improvements.
- Organized a citizen's advisory committee to review Storm Drain infrastructure and operational needs in the City and evaluate alternatives for a proposed fee increase.
- Completed negotiations of all City labor contracts
- Successfully restructured retiree health care from a defined benefit plan to a defined contribution plan for all new employees.
- Prepared and completed a balanced City budget in a timely manner.
- Timely completion and compliance with debt service reporting requirements.
- Improved cash management and cash flow projections for greater return on City investment.
- Updated the City's Purchasing Ordinance to comply with the Uniform Cost Accounting provisions of the Public Contract Code.

- Began the process for issuing two new bonds: one Lease Revenue Bond for construction of a second
 phase for the Community Senior Center and the Sports Park complex; a second Tax Allocation Bond
 to fund improvements in the Redevelopment Area.
- Completed annual assessments for City approved Community Facilities Districts and Lighting and Landscaping Districts.
- Developed and implemented first working version of a capital project database.
- Updated the City's external website for additional functionality and ease of use.
- Implemented Accounts Receivable module of Pentamation software.
- Evaluated time-keeping systems for possible use in the City.
- Continued analyses of GASB 45 requirements and fiscal impacts relating to implementation in FY 09.
- Researched wireless networking for Library, Public Works, Parks and Police operations
- Completed approval of the Gateway Project which will open in FY 08.
- Participated in the issuance of TRANS bond, which ultimately results in savings of PERS payments.
- Completed full implementation of the GASB 34 infrastructure reporting requirements.
- Completed fiscal reporting requirements on timely basis

Community Development

- Implemented full use of CommunityPlus permit tracking with full implementation of single point of entry for building permits
- Preparing for update to the Building Code.
- Embarking on comprehensive update of City's General Plan and Zoning Ordinance.
- Provided bimonthly reports on permit status
- Improved various customer handouts
- Enhanced coordination and outreach with Chamber and other customer groups
- Revamped CDD website
- Began implementation of Economic Development website
- Evaluated and modified the Affordable Housing Program for approval in FY 08.
- Obtained additional grant funding for use in housing rehabilitation loans for first time homebuyer programs.
- Continued efforts on the following projects: Woodland Gateway project; retention of retail within the City; Downtown Specific Plan implementation; Business Park/Industrial Development; a downtown live/work project.
- Concentrated on efficient and effective land use, environmental planning, building inspection and code compliance
- Researched economic development projects including use of external funding via grants or other means.

Public Safety

- Continued emphasis on Problem Oriented Policing (POP) approach to address community concerns
- Researched wireless technology and improvements on mobile software
- Emphasized recruitment efforts in the Police Department to sustain employee safety and service levels
- Researched, studied and deployed improved tools in the field to safely apprehend suspects
- Continued implementation of digital car video systems
- Regular and routine updates on Community Emergency Response Team (CERT) and community preparedness, approximately four times annually
- Continued interaction with community. Major activities included: First Grade Program, Fire Station Tours, fire extinguisher demonstrations, annual Yolo County Fair Booth, and Fire Prevention Week
- Completed construction of and relocated to the new facility for Fire Station No. 1
- Completed upgrades to Fire Station No. 2

Parks and Recreation

- Held grand opening of the newly constructed 55,300 sq ft Community Senior Center in March 2007
- Computerized registration for programs and facilities
- Computerized lighting control system allowing for billing of ball field light users
- Evaluating and revising PRCS Master Plan
- Completed construction of the Cemetery Revitalization project, which increases capacity and reduces maintenance costs of the historic cemetery.
- Construction of new Sports Park complex is on-going and expected to be operational during FY08/09.
- Completed the renovation of Southland Park

Library

- Acquired faster public internet service and upgraded public computers in Library
- Upgraded public catalog workstations in Library
- Purchased equipment allowing self-checkout procedures for Library patron.
- Replaced out-of-date books and increased book inventory in Library using state aid monies.
- Cleaned and painted various parts of the Library

City Infrastructure

- Provided training and certification programs for staff in water treatment, distribution, wastewater collection and treatment programs
- Implemented a City-wide Construction and Demolition ordinance.
- Completed evaluation of a new containerized Green Waste program, which was adopted by Council
 and will be implemented City-wide during FY08.
- Continued efforts with the City of Davis on the Water Supply Project, which is a significant and very expensive project that is expected to provide the City with an more cost effective alternative for complying with wastewater permit requirements and providing higher quality water sources.
- Acquired laptop computers for field input and AutoCAD lookup of system layout to further improve work efficiency and effectiveness
- Continued video inspection of sewer lines and evaluating program system repair needs
- Participated as regular speakers at Chamber Governmental Affairs and Water Committee meetings
- Completed construction of \$32 million expansion and upgrade of the Wastewater Treatment plant, receiving awards from the American Public Works Association-Sacramento Chapter, and the California Water Environment Association-Sacramento Section Award for project innovation and delivery.
- Completed construction of the new, award winning \$27 million Community-Senior Center, the new \$4 million Fire Station #1 and a \$1 million renovation of Fire Station #2.
- Implemented a multi-agency collaborative Flood Management Pilot project with the County of Yolo and the Yolo County Flood Control and Water Conservation District, to advance flood control efforts for the City.
- Council adoption of an Integrated Regional Water Management Plan, as part of a multi-agency, multiple year effort for regional collaboration on water issues.
- Completed essential backbone infrastructure for the Spring Lake Specific Plan, including storm drain detention/water quality treatment ponds, a new well, and sewer lift station.

Internal Controls

City management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting records are maintained to allow for the preparation of financial statements in conformity with GAAP. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the likely derived benefit, and, (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that adequate internal

controls are in place to document compliance with applicable laws and regulations related to these programs. Management's continuing commitment to sound and viable internal controls is emphasized through written policies and procedures and a well-trained and qualified financial staff.

Budgetary Controls

The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Budgetary authority is maintained at a fund level and control is maintained at the department level (i.e., Police, Fire, Public Works, etc.) for the General Fund. Budgetary control for capital improvement projects is currently maintained on a project and fund basis which is reviewed and approved annually. As demonstrated by the statements included in the financial section of this report, the City continues to meet its responsibility for sound fiscal management.

Cash Management

The City Finance Director is responsible for the cash management and investment program of the City. The government code and City policy stipulate how funds can be invested. The investment policy, which is adopted annually by City Council, is intended to provide guidelines for prudent investments and outlines policies to assist in maximizing the efficiency of the cash management while also maintaining sufficient reserves to meet daily cash flow requirements.

<u>Risk Management</u>

The City is a member of a joint powers authority, the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA), an insurance pool limited to public agencies in Yolo County. Provided coverage includes general liability, workers' compensation, property, and boiler and machinery.

The City, through YCPARMIA and in-house Safety Committees, participates in an active loss prevention program which includes periodic safety inspections of all facilities, specialized training in safety and handling of hazardous materials, and a wellness program provided to police employees. Recent actuarial reports indicate that the agency has sufficient resources to meet current and immediate future liabilities.

Statistical Information

The final section in the CAFR includes various statistical data relating to the City. This statistical section presents detailed trend information that assists users in understanding the basic financial statements, notes to basic financial statements and required supplementary information to assess the economic condition of a government.

Independent Auditors

State statutes require an annual audit by independent certified public accountants. The accounting firm of Macias Gini & O'Connell LLP has been engaged by the City to conduct this year's audit. In addition to meeting the requirements set forth in state statutes, the audit also meets the requirements of the OMB Circular A-133. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for the Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2006. This marks the ninth consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive this recognition, the City must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements. The award is valid for a period of one year only. We believe that the current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

Acknowledgements

The Department of Finance takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of this Department have made this presentation possible. We also want to thank the members in other City Departments who assisted in the preparation of this report. Finally, we thank you for your interest and continuing support in planning and conducting the City's financial operations in a responsible manner, consistent with the City's mission to protect, preserve and enhance the quality of life for the citizens of this community.

Joan Drayton,

Finance Director/Treasurer

Mark Deven, City Manager

CITY OF WOODLAND

CITY COUNCIL & ADMINISTRATIVE STAFF ROSTER

FISCAL YEAR ENDING JUNE 30, 2007



DAVID FLORY, MAYOR

MARLIN DAVIES, VICE MAYOR

WILLIAM MARBLE, COUNCILMEMBER

JEFF W. MONROE, COUNCILMEMBER ART PIMENTEL, COUNCILMEMBER



ADMINISTRATIVE STAFF

MARK DEVEN, CITY MANAGER

BARRY MUNOWITCH, ASSISTANT CITY MANAGER

ANN SIPRELLE, CITY ATTORNEY

SUE VANNUCCI, DIRECTOR ADMINISTRATIVE SERVICES

JOAN DRAYTON, FINANCE DIRECTOR

MICHAEL CAHILL, FIRE CHIEF

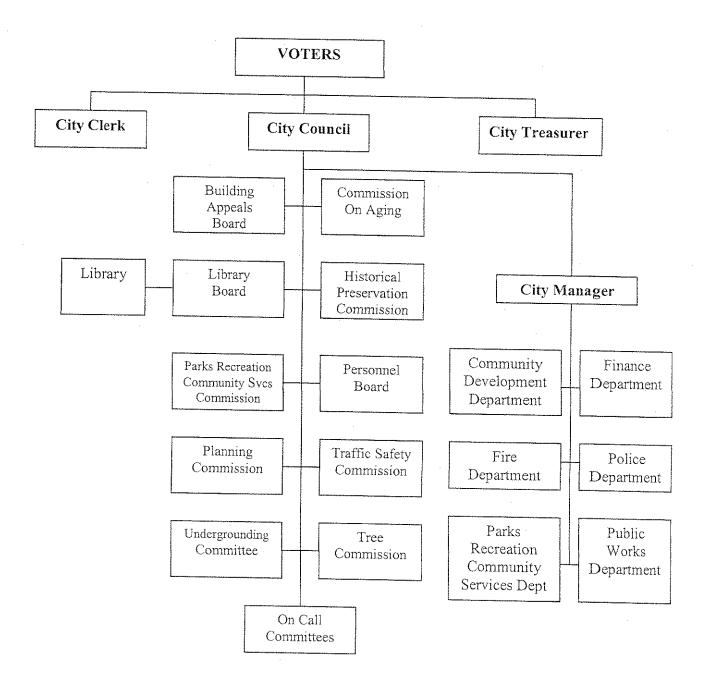
PAUL MILLER, LIBRARY SERVICES DIRECTOR

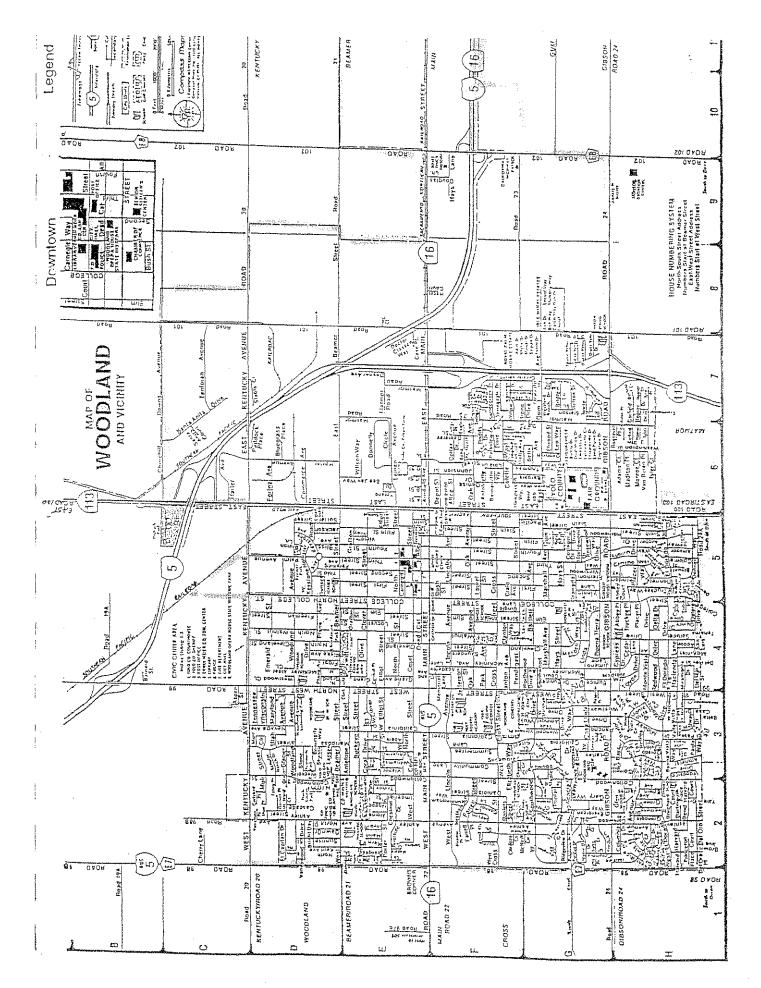
DAN GENTRY, PARKS, RECREATION & COMMUNITY SERVICES DIRECTOR

CAREY SULLIVAN, POLICE CHIEF

GARY WEGENER, PUBLIC WORKS DIRECTOR/CITY ENGINEER

CITY OF WOODLAND GENERAL OVERVIEW ORGANIZATION CHART





Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Woodland 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.

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President

Executive Director

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