CITY OF WOODLAND, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2005

Prepared by

FINANCE DEPARTMENT

CITY OF WOODLAND, CALIFORNIA

June 30, 2005

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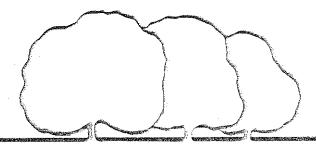
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City of Woodland

December 12, 2005

Honorable Mayor Matt Rexroad & 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, 2005. 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 California Society of Municipal Finance Officers (CSMFO) and 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, 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.

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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 capital and center of state government.

The County has a well-developed transportation network which includes road, rail and shipping services. Interstate 80, a transcontinental highway linking San Francisco with points east is nine miles to the south of Woodland via State Route 113. Interstate 5 bisects Woodland and serves as the West Coast's major northsouth 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. 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. As a result of construction growth over the past several years as well as property value growth, the City had an increase of 6.7 percent growth in property tax revenue from 2004 to 2005. The City's sales and use tax revenue increased 10 percent over the same period.

Between 1996 and 2005 the City's population increased by a total of 10,128 or approximately 23.4%, an average annual increase of approximately 2.3%. 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 six 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.

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 1,407 single family homes, 621 multifamily units, nine acres of commercial development and 30 acres of parks and open space. Construction of the backbone infrastructure commenced in September 2004 and the first building permits were issued in late June of 2005.

The Spring Lake development, as approved, has five subdivisions including both custom and production homes. Custom home builders have started construction on the Russell Ranch Development with twenty-five

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(25) units approved for construction. Production builders began construction during the summer of 2005, and anticipate the issuance of up to fifteen (15) building permits per week in 2006. The drainage ponds on the west side of CR 102 are near completion.

The City has also made strides in the area of commercial and industrial development. A supplemental Environmental Impact Report (EIR) is being prepared for the newly revised Gateway project, consisting of 525,000 square feet of retail space planned to include a new Costco, a relocated Target and other retail shops and restaurants.

The Woodland Park Specific Plan (Plan) covers approximately 800 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.

As well, at the close of FY 05, staff has structured the complex financing for Spring Lake, Waste Water improvements, restructured debt at lower interest rates, working to amend the Gateway Development closing the gap with county relationships. We are also forging new partnerships with the School District, assisting them to structure financing for capital improvements.

Goals, Objectives, and Major Accomplishments during Fiscal Year 2004/2005

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 2004/05 was on sustainable improvements with a primary focus on improving the City's corporate culture, customer services and employee morale, providing more information to the community, refining administrative processes and internal controls, as well as increasing utilization of technology.

City staff, working in accordance with the Council's guidance, has focused, this past year, on developing the "corporate culture" and has delivered to improve our customer service, reducing complaints, improving internal processes and accountability. We have focused our attention on improving the use of technology and created website improvements, e-news letters, CM to Council interim reports and we continue our efforts to make as much information as possible available to the community we serve. Improving our customer service attitude, training our staff and engaging issues with prompt service are our mantra. We have developed and presented to the Council our customer service improvement program, technology systems strategic plan and tightened and improved our internal control policies and continue our bi-annual City Council and Senior Management Retreats. The City has managed to make needed capital and operational improvements especially in public safety and public works and has improved the overall service levels of our community. While we continue to have budget challenges, we have maintained a prudent course of managing within our resources and delivering reliable and predictable services for a safe and livable community. Enterprise activities, waste water (tertiary treatment, ultra-violet) plant improvements, successful rate increases, capital facilities improvements, progress with the new community and senior center and more, all point to moving in the right direction.

Specific notable accomplishments are described below:

City Administration

- Initiated a feasibility study for the annexation to the Sacramento Municipal Utilities District. The report, which showed annexation would be beneficial, was provided to the Council in January 2005
- Orchestrated the Process Improvement Team (PIT) to determine best practices and methods for the development review

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- Negotiated city labor contracts
- Updated majority of human resources policies
- Successfully negotiated discounted rates for employee benefits
- Developed City-wide internal control policy and implemented process improvements
- Updated fiscal impact study for Spring Lake
- Began development of a capital project database
- Developed City's first Technology Strategic Plan
- Implemented City's first technology development fee
- Began research on wireless networking for Library, Public Works, Parks and Police operations.
- Partnered with Communities Online Network for Springlakecommunity.com website
- Purchased eGOV Plus web portal to provide citizens access to permits, licenses and utility bills, to be implemented in FY 05/06
- Purchased Pentamation upgrades for financial and community development computer systems
- Worked with the community on extension of Measure "H" ½ cent sales tax initiative to prioritize endeavors funded by the extension based on community input and council guidance.
- Completed fiscal reporting requirements on timely basis

Community Development

- Implemented full use of Encompass permit tracking with partial implementation of single point of entry for building permits
- 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
- Implemented Affordable Housing Program
- Continued efforts on the following projects: Woodland Gateway project; retention of retail within the City; Downtown Specific Plan implementation; Business Park/Industrial Development and Master Planning of the Northeast Area
- 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
- Began replacement of car video systems with digital systems
- Conducted career assessment interviews with all employees and provided training which included assertive supervision, law enforcement ethics, hostile work environment, domestic violence and racial profiling.
- Regular and routine updates on Community Emergency Response Team (CERT) and community preparedness, approximately four times annually
- Continued interaction with community whose major activities included: First Grade Program, Fire Station Tours, fire extinguisher demonstrations, annual Yolo County Fair Booth, and Fire Prevention Week

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Community Services

- Extended PRCS (Parks, Recreation and Community Services) Departments front counter service hours
- Computerized registration for programs and facilities
- Posted PRCSUF (Parks, Recreation, Community Services & Urban Forest) Commission agenda packet on City website
- Produced six DVD movie presentations covering a wide range of services
- Published two color brochures highlighting "People, Parks, and Programs" which were distributed to 14,000 homes in the City
- Adopted Banner and Special Event Ordinances
- Computerized lighting control system allowing for billing of ball field light users
- Established Sports Council for pro-active sport issue resolutions enhancing partnerships in the community
- Adopted PRCS Master Plan
- Adopted Cemetery Master Plan
- Acquired faster public internet service and upgraded public computers in library
- Upgraded public catalog workstations in library
- Replaced out-of-date books and increased book inventory in Library using state aid monies.
- Held successful library centennial celebration
- 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
- Reevaluated flood protection options through the Water Resources Association
- Implemented CityWorks, a new computerized maintenance management system for field crews in public works
- Acquired laptop computers for field input and AutoCAD lookup of system layout to further improve work efficiency and effectiveness
- Purchased Video TV van for inspecting sewer lines and evaluating program system repair needs
- Participated as regular speakers at Chamber Governmental Affairs and Water Committee meetings
- Adopted Vehicle Five-Year replacement program

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 to ensure 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.

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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 on an annual basis. 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 City's investments are managed in compliance with the investment policy adopted by the City Council in May 2005, reaffirmed quarterly and last updated on June 30, 2005.

Risk Management

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. Including but not limited to: Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita for the Last Ten Fiscal Years, Computation of Direct and Overlapping Debt, and Computation of Legal Debt Margin. The Computation of Legal Debt Margin shows the City as having debt of only \$31,806 (net the reserve Fund) and a Debt Limit of over \$141 million dollars. This demonstrates the City has significant capacity, under State Law, to increase its Bonded Debt.

These tables continue to show a decline in the Bonded Debt per Capita to Assessed Valuation. Between FY 2004 and FY 2005, the Bonded Debt per Capita decreased over .09% or \$5.38 per resident. The dollar amount of debt, per capita, is now slightly under \$1.00. The Bonded Debt to Assessed Valuation is a ratio of .0001.

Independent Auditors

State statutes require an annual audit by independent certified public accountants. The accounting firm of Macias Gini & Company 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.

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<u>Awards</u>

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, 2004. This marks the seventh 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

Managing a complex and dynamic medium sized city requires hundreds of policy decisions by the Council and competent and expert services of the city staff. I believe we are meeting the challenge and I am proud of our accomplishments and I am encouraged with our future. I want to first thank the Mayor and City Council for their 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. Secondly, I want to thank the Finance Department and other members of various City Departments who assisted in the preparation of this report. 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. Finally, I want to thank the senior staff, the city employees and the community in general for making Woodland the wonderful place it is.

Joan Drayton, () Finance Director/Treasurer Richard Kirkwood, City Manager

CITY OF WOODLAND

CITY COUNCIL & ADMINISTRATIVE STAFF ROSTER

FISCAL YEAR ENDING JUNE 30, 2005



MATT REXROAD, MAYOR

DAVID FLORY, VICE MAYOR

NEAL PEART, COUNCILMEMBER

JEFF MONROE, COUNCILMEMBER

ART PIMENTAL, COUNCILMEMBER



ADMINISTRATIVE STAFF

RICHARD KIRKWOOD, CITY MANAGER

PHILLIP MARLER, ASISTANT CITY MANAGER

ANN SIPRELLE, CITY ATTORNEY

SUE VANNUCCI, CITY CLERK

TRICIA STEVENS, COMMUNITY DEVELOPMENT DIRECTOR

JOAN DRAYTON, FINANCE DIRECTOR

KARL DIEKMAN, FIRE CHIEF

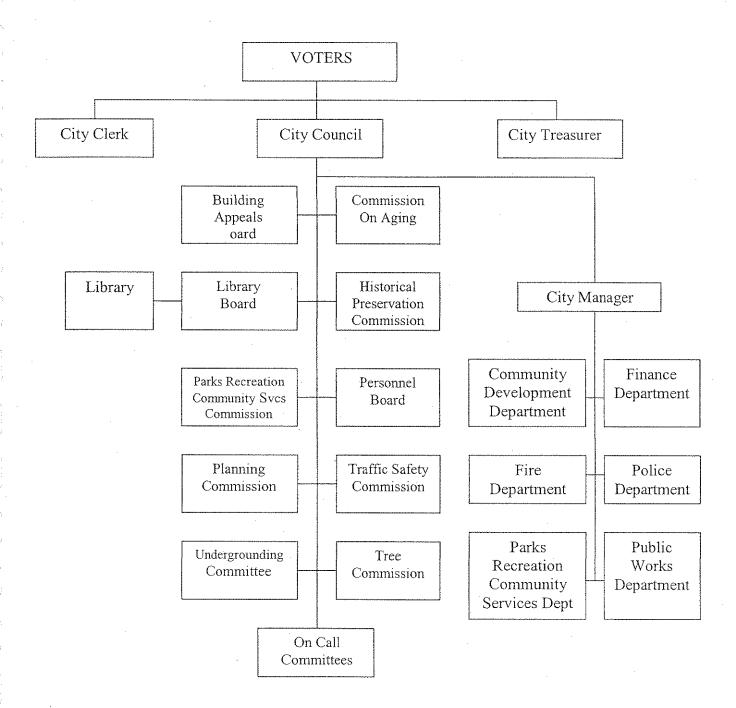
PAUL MILLER, LIBRARY SERVICES DIRECTOR

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



Municipal Finance Officers California Society of

Certificate of Award

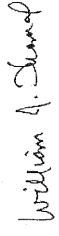
Outstanding Financial Reporting 2003-04

Presented to the

City of Woodland

This certificate is issued in recognition of meeting professional standards and criteria in reporting and in the underlying accounting system from which the reports were prepared. which reflect a high level of quality in the annual financial statements

February 24, 2005



Bill Thomas, Chair Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

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, 2004

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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Many L. Zielle

President

Executive Director