

Town of Windsor, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013



Diane Y. Smith, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS

Town of Windsor, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Town of Windsor, Virginia

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TOWN OF WINDSOR, VIRGINIA

Mayor

Carita J. Richardson

Vice Mayor

Wesley F. Garris

Council Members

J. Clinton Bryant

N. Macon Edwards, III

Patty Flemming

Durwood V. Scott

Greg Willis

Town Manager

Michael Stallings

Town Clerk/Treasurer

Robin L. Hewett

Management's Discussion and Analysis

The following is management's discussion and analysis of this report. The discussion and analysis of the Town's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Town's financial statements following this section.

Financial Highlights

The following are a few financial highlights in the fund financial statements for the fiscal year ending June 30, 2013:

- General Fund revenues were \$183,553 more than originally anticipated by Town Council for the year's final operating budget.
- General fund expenditures were \$228,270 less than appropriated by Town Council for the year's final operating budget.
- The fund balance of the governmental funds was reduced from \$1,723,834 to an ending balance of \$1,532,457, primarily due to the purchase of land and a building for the Police department.
- All of the departments within the General Fund had total operating expenditures that were less than the amount appropriated by Council for that the department.
- The revenues of the proprietary (water) fund were \$41,414 more than originally anticipated by Town Council for the final operating budget of the year.
- The expenditures of the proprietary (water) fund were \$141,583 greater than originally anticipated by Town Council for the final operating budget of the year. If the unfunded portion of depreciation expenses, or \$156,864, were removed, then expenditures would only have been \$15,281 less than anticipated.
- The Proprietary fund balance decreased from \$764,388 to \$709,594 during the fiscal year ending June 30, 2013, due to depreciation expense of \$202,400 that was not fully funded.

Using This Report

Overview of the Financial Statements

We intend that the reader use this discussion and analysis as an introduction to the Town of Windsor's basic financial statements. The following three components comprise the Town's basic financial statements:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

Management's Discussion and Analysis

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

Government-wide Financial Statements

We have designed the government-wide financial statements so as to provide the reader with a broad overview of the Town's finances and in a manner that is similar to a private sector business. The Statement of Net Assets presents information on all of the Town's assets and liabilities, and we report the difference of the two as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the Town's financial position is improving or deteriorating. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. We report all changes in net assets as soon as the underlying event that gives rise to the change occurs, regardless of the timing of related cash flows. Therefore, we report revenues and expenses in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government administration, public safety, public works, and community development. The Town's business-type activities include the Water Fund.

The reader can find the government-wide financial statements on pages 3 and 4 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that the governmental unit segregates for specific activities or objectives. The Town of Windsor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are divided into two categories: *governmental funds* and *proprietary funds*.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources. The reader may find such information useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Management's Discussion and Analysis

The Town of Windsor adopts an annual appropriated budget for its General Fund. We provide a budgetary comparison statement for the General Fund to demonstrate compliance with this budget.

The reader can find the basic governmental fund financial statements on pages 5 through 9 of this report.

Proprietary Funds. The Town maintains the enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water Fund. This fund has been included in the government-wide financial statements.

The reader can find the basic proprietary fund financial statements on pages 10 through 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader can find the notes to the financial statements on pages 16 through 27 of this report.

Government-wide Financial Analysis

Key elements of the Town of Windsor's Net Assets on the government-wide basis are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,698,894	\$ 1,930,207	\$ 515,823	\$ 937,312	\$ 2,214,717	\$ 2,857,519
Capital Assets	2,440,384	2,024,469	1,819,160	1,498,548	4,259,544	3,523,017
Total Assets	\$ 4,139,278	\$ 3,954,676	\$ 2,334,983	\$ 2,425,860	\$ 6,474,261	\$ 6,380,536
Long-Term Liabilities	\$ 316,898	\$ 520,284	\$ 1,529,921	\$ 1,611,805	\$ 1,846,819	\$ 2,132,089
Other Liabilities	205,997	37,295	95,468	49,667	301,465	188,962
Total Liabilities	\$ 522,895	\$ 659,579	\$ 1,625,389	\$ 1,661,472	\$ 2,148,284	\$ 2,321,051
Invested in Capital Assets, net of Related Debt	\$ 2,021,031	\$ 1,504,185	\$ 248,408	\$ 407,027	\$ 2,269,439	\$ 1,911,212
Unrestricted	1,595,352	1,790,912	461,186	(1,171,415)	2,056,538	619,497
Total Net Assets	\$ 3,616,383	\$ 3,295,097	\$ 709,594	\$ 764,388	\$ 4,325,977	\$ 4,059,485

By far, the largest portion of the Town of Windsor's net assets, 52%, reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, vehicles and equipment and software.)

Management's Discussion and Analysis

Governmental Activities

Key elements of the Town of Windsor's revenues on the government-wide basis are as follows:

	Governmental Activities		Business-Type Activities		Total	
REVENUES	2013	2012	2013	2012	2013	2012
Program Services:						
Charges for services	\$ 310,949	\$ 253,993	\$ 482,414	\$ 403,983	\$ 793,363	\$ 657,976
Operating grants	132,108	162,045	-	-	132,108	162,045
General Revenues:						
Property taxes	291,614	296,978	-	-	291,614	296,978
Other taxes	876,936	765,963	-	-	876,936	765,963
Interest	12,702	24,860	4,199	3,397	16,901	28,257
Total Revenues	\$ 1,624,309	\$ 1,503,839	\$ 486,613	\$ 407,380	\$ 2,110,922	\$ 1,911,219

Key elements of the Town of Windsor's expenditures on the government-wide basis are as follows:

	Governmental Activities		Business-Type Activities		Total	
EXPENDITURES	2013	2012	2013	2012	2013	2012
General government	\$ 369,902	\$ 337,819	\$ -	\$ -	\$ 369,902	\$ 337,819
Public safety	555,873	572,075	-	-	555,873	572,075
Public works	232,768	214,324	-	-	232,768	214,324
Community development	85,810	84,129	-	-	85,810	84,129
Non-departmental	58,670	59,669	-	-	58,670	59,669
Water services	-	-	541,407	548,391	541,407	548,391
Total Expenditures	\$ 1,303,023	\$ 1,268,016	\$ 541,407	\$ 548,391	\$ 1,844,430	\$ 1,816,407

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

General Fund revenues were \$185,553 more than anticipated, and expenditures were \$288,270 less than budgeted. The net outcome was that budgeted revenues exceeded budgeted expenditures by \$100,169. The fund balance was \$54,794 less than the prior year.

The Water Fund's revenues exceeded the budget by \$41,414. Expenditures were \$141,583 greater than the budget, due to the fact that the Town does not fully fund depreciation expense in its Water Fund budget.

Economic Factors

Despite a continuing lag in the economic market that existed throughout the fiscal year ending June 30, 2013, the Town's revenues remained strong. The Town receives the bulk of its revenues from real estate and personal property tax, meals tax, licenses and traffic fines. Since some of these revenues are economy driven, if there were to be a significant downturn in the economy, they could shrink. In this regard, the Town needs to diversify its tax base with additional commercial and industrial developments.

FINANCIAL SECTION



Diane Y. Smith, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Town Council
Town of Windsor, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, and each major fund of the Town of Windsor, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Windsor, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Enterprise Fund.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budget comparison information on pages 31 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windsor, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2013, on our consideration of the Town of Windsor's Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Windsor, Virginia's internal control over financial reporting and compliance.

Diane Y. Smith, CPA, PC

Newport News, Virginia

December 15, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA**Statement of Net Assets****June 30, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 484,585	\$ 290,924	\$ 775,509
Restricted	367,868	21,962	389,830
Receivables			
Taxes (net of allowance for uncollectibles)	133,324	-	133,324
Other receivables	-	76,442	76,442
Prepaid expenses	3,804	-	3,804
Due from other governmental units	19,046	-	19,046
Internal balances	181,012	(181,012)	-
Investments	493,585	265,824	759,409
Capital assets (net of accumulated depreciation)	803,906	1,778,949	2,582,855
Capital assets (not being depreciated)	1,636,478	40,211	1,676,689
Deferred bond cost (net of accumulated amortization)	<u>15,670</u>	<u>41,683</u>	<u>57,353</u>
Total assets	<u>\$ 4,139,278</u>	<u>\$ 2,334,983</u>	<u>\$ 6,474,261</u>
LIABILITIES			
Accounts payable	\$ 20,746	\$ 3,394	\$ 24,140
Accrued expenses	81,706	17,524	99,230
Deposits payable	-	33,719	33,719
Deferred revenue	1,090	-	1,090
Bonds payable			
Due within one year	102,455	40,831	143,286
Due in more than one year	<u>316,898</u>	<u>1,529,921</u>	<u>1,846,819</u>
Total liabilities	<u>522,895</u>	<u>1,625,389</u>	<u>2,148,284</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,021,031	248,408	2,269,439
Unrestricted	<u>1,595,352</u>	<u>461,186</u>	<u>2,056,538</u>
Total net assets	<u>3,616,383</u>	<u>709,594</u>	<u>4,325,977</u>
Total liabilities and net assets	<u>\$ 4,139,278</u>	<u>\$ 2,334,983</u>	<u>\$ 6,474,261</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Primary Government	Business-type Activity	
Primary government:						
General government						
General government administration	\$ 369,902	\$ 148,358	\$ 1,203	\$ (220,341)	\$ -	\$ (220,341)
Public safety	555,873	160,191	130,905	(264,777)	-	(264,777)
Public works	232,768	2,400	-	(230,368)	-	(230,368)
Community development	85,810	-	-	(85,810)	-	(85,810)
Nondepartmental	58,670	-	-	(58,670)	-	(58,670)
Total governmental activities	1,303,023	310,949	132,108	(859,966)	-	(859,966)
Business-type activities:						
Water services	541,407	482,414	-	-	(58,993)	(58,993)
Total business-type activities	541,407	482,414	-	-	(58,993)	(58,993)
Total primary government	\$ 1,844,430	\$ 793,363	\$ 132,108	(859,966)	(58,993)	(918,959)
General Revenues:						
Real estate and personal property taxes				291,614	-	291,614
Local sales and use taxes				82,293	-	82,293
Consumers' utility taxes				93,658	-	93,658
Merchants & other licenses				142,693	-	142,693
Bank franchise tax				139,578	-	139,578
Communication taxes				68,313	-	68,313
Meals taxes				289,639	-	289,639
Other local revenue				60,762	-	60,762
Investment earnings				12,702	4,199	16,901
Total general revenues				1,181,252	4,199	1,185,451
Change in net assets				321,286	(54,794)	266,492
NET ASSETS						
Beginning				3,295,097	764,388	4,059,485
Ending				\$ 3,616,383	\$ 709,594	\$ 4,325,977

See accompanying notes.

FUND FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA**Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 484,585	\$ -	\$ 484,585
Restricted	320,643	47,225	367,868
Receivables			
Taxes (net of allowances for uncollectibles)	133,324	-	133,324
Prepaid expenses	3,804	-	3,804
Due from other governmental units	19,046	-	19,046
Due from other funds	181,012	-	181,012
Investments	493,585	-	493,585
Total assets	<u>\$ 1,635,999</u>	<u>\$ 47,225</u>	<u>\$ 1,683,224</u>
LIABILITIES			
Accounts payable	\$ 20,746	\$ -	\$ 20,746
Accrued expenses	81,706	-	81,706
Deferred revenue	1,090	-	1,090
Total liabilities	103,542	-	103,542
FUND BALANCES			
Unrestricted:			
Unassigned	1,532,457	47,225	1,579,682
Total liabilities and fund balances	<u>\$ 1,635,999</u>	<u>\$ 47,225</u>	<u>\$ 1,683,224</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2013

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

Total governmental fund balances	\$ 1,579,682
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Amounts reported for government activities in the statement of net assets are different because:

Capital assets used in the governmental activity are not financial resources and, therefore, not reported in the funds.	2,440,384
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Deferred bond costs that are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	15,670
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>(419,353)</u>
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Total net assets of governmental activities	<u>\$ 3,616,383</u>
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See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 291,614	\$ -	\$ 291,614
Other local taxes	721,780	-	721,780
Revenue from the Federal Government	53,367	-	53,367
Revenues from the Commonwealth	83,483	-	83,483
Revenue from other sources	360,934	-	360,934
Miscellaneous revenue	86,358	71	86,429
Reimbursements from other funds	60,915	-	60,915
	<u>1,658,451</u>	<u>71</u>	<u>1,658,522</u>
Total revenues			
EXPENDITURES			
General government administration	328,781	-	328,781
Public safety	517,850	-	517,850
Public works	208,726	-	208,726
Community development	85,809	-	85,809
Capital outlays	531,129	-	531,129
Debt service	114,861	-	114,861
Non-departmental	62,672	337	63,009
	<u>1,849,828</u>	<u>337</u>	<u>1,850,165</u>
Total expenditures			
Excess of expenditures over revenues	(191,377)	(266)	(191,643)
FUND BALANCES			
Beginning	1,723,834	47,491	1,771,325
Ending	<u>\$ 1,532,457</u>	<u>\$ 47,225</u>	<u>\$ 1,579,682</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2013

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

Net change in fund balance - total governmental funds	\$ (191,643)
Governmental funds report bond payments as expenses. However, in the statement of net assets, the payments are offset against notes payable.	58,097
Governmental funds report bond issuance costs as expenditures. However, in the statement of net assets the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which amortization expense exceeded the bond costs in the current period.	3,917
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>450,915</u>
Change in net assets of governmental activities	<u>\$ 321,286</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Funds
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
General property taxes	\$ 279,275	\$ 279,275	\$ 291,614	\$ 12,339
Other local taxes	624,750	643,000	721,780	78,780
Revenue from other sources	278,500	278,500	360,934	82,434
Miscellaneous revenue	23,850	27,720	86,358	58,638
Revenue from the Federal Government	58,569	58,569	53,367	(5,202)
Revenues from the Commonwealth	112,689	124,884	83,483	(41,401)
Reimbursements from other funds	60,950	60,950	60,915	(35)
Total revenues	<u>1,438,583</u>	<u>1,472,898</u>	<u>1,658,451</u>	<u>185,553</u>
EXPENDITURES				
General government administration	337,870	343,270	328,781	14,489
Public safety	503,367	521,132	517,850	3,282
Public works	203,710	221,460	208,726	12,734
Community development	89,400	106,500	85,809	20,691
Capital outlays	123,000	658,750	531,129	127,621
Debt service	115,000	115,000	114,861	139
Non-departmental	121,236	171,986	62,672	109,314
Total expenditures	<u>1,493,583</u>	<u>2,138,098</u>	<u>1,849,828</u>	<u>288,270</u>
Excess of revenues over expenditures	(55,000)	(665,200)	(191,377)	473,823
Prior year fund balance	55,000	31,700	-	(31,700)
Transfers from reserves (restricted cash)	-	633,500	-	(633,500)
	-	-	(191,377)	(191,377)
FUND BALANCES				
Beginning	-	-	1,723,834	1,723,834
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,532,457</u>	<u>\$ 1,532,457</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Statement of Net Assets

Proprietary Fund

June 30, 2013

	Proprietary Fund (Water)
	<u> </u>
ASSETS	
 CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 290,924
Restricted	21,962
Accounts receivable (net of allowances for uncollectibles)	76,442
Investments	<u>265,824</u>
Total current assets	<u>655,152</u>
 NONCURRENT ASSETS	
Capital assets (net of accumulated depreciation)	1,778,949
Capital assets (not being depreciated)	40,211
Deferred bond costs (net of accumulated amortization)	<u>41,683</u>
Total noncurrent assets	<u>1,860,843</u>
Total assets	<u><u>\$ 2,515,995</u></u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Statement of Net Assets

Proprietary Fund

June 30, 2013

	Proprietary Fund (Water)
<hr/>	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 3,394
Accrued expenses	17,524
Deposits payable	33,719
Due to other fund	181,012
General obligation bonds - current portion	<u>40,831</u>
Total current liabilities	276,480
NONCURRENT LIABILITIES	
General obligation bonds payable (net of current portion)	<u>1,529,921</u>
Total liabilities	<u>1,806,401</u>
 NET ASSETS	
Investment in capital assets, net of related debt	248,408
Unrestricted	<u>461,186</u>
Total net assets	<u>709,594</u>
Total liabilities and net assets	<u>\$ 2,515,995</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2013

	Proprietary Fund (Water)
OPERATING REVENUES	
Water sales	\$ 397,880
Tap, connection and other fees	84,534
Total operating revenues	<u>482,414</u>
OPERATING EXPENSES	
Bank fees	1,078
Clothing - uniforms	909
Depreciation and amortization	202,400
Dues and subscriptions	595
Equipment	2,595
Equipment repairs and maintenance	22,990
Meters	4,614
Professional fees	80
System repairs and maintenance	12,587
State fees	3,042
Telephone-communications	1,493
Travel and training	1,054
Utilities	16,069
Vehicle fuel	2,762
Vehicle maintenance and repair	1,964
Payments to General Fund:	
Salaries	152,436
Protection of water system	13,200
Indirect costs	<u>47,715</u>
Total operating expenses	<u>487,583</u>
Total operating loss	<u>(5,169)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest income	4,199
Interest expense	<u>(53,824)</u>
Total nonoperating revenue (expense)	<u>(49,625)</u>
Change in net assets	(54,794)
NET ASSETS	
Beginning	<u>764,388</u>
Ending	<u>\$ 709,594</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual - Proprietary (Water) Fund
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Water sales	\$ 416,000	\$ 416,000	\$ 397,880	\$ (18,120)
Tap, connection and other fees	25,000	25,000	84,534	59,534
Total revenues	<u>441,000</u>	<u>441,000</u>	<u>482,414</u>	<u>41,414</u>
OPERATING EXPENSES				
Advertising	100	100	-	100
Bank fees	850	1,100	1,078	22
Clothing - uniforms	1,000	1,000	909	91
Depreciation and amortization	45,536	45,536	202,400	(156,864)
Dues and subscriptions	800	800	595	205
Equipment	3,500	3,500	2,595	905
Equipment rental	800	800	-	800
Equipment repairs and maintenance	2,500	1,000	870	130
Maintenance contracts	23,000	23,000	22,120	880
Meters	6,000	6,000	4,614	1,386
Professional fees	5,000	4,750	80	4,670
Publications	200	200	-	200
State fees	4,000	4,000	3,042	958
System repairs and maintenance	14,500	14,500	12,587	1,913
Telephone-communications	1,850	1,850	1,493	357
Temporary help	1,000	1,000	-	1,000
Travel and training	2,000	2,000	1,054	946
Utilities	18,500	18,500	16,069	2,431
Vehicle fuel	2,500	2,500	2,762	(262)
Vehicle maintenance and repair	600	2,100	1,964	136
Payments to General Fund for:				
Salaries	150,849	150,849	152,436	(1,587)
Protection of water system	13,200	13,200	13,200	-
Indirect costs	47,715	47,715	47,715	-
Total operating expenses	<u>346,000</u>	<u>346,000</u>	<u>487,583</u>	<u>(141,583)</u>
Operating income (loss)	<u>95,000</u>	<u>95,000</u>	<u>(5,169)</u>	<u>(100,169)</u>
NONOPERATING REVENUE (EXPENSE)				
Interest income	3,000	3,000	4,199	1,199
Interest expense	-	-	(53,824)	(53,824)
Loan repayments	(98,000)	(98,000)	-	98,000
Total nonoperating revenue (expense)	<u>(95,000)</u>	<u>(95,000)</u>	<u>(49,625)</u>	<u>45,375</u>
Change in net assets	-	-	(54,794)	(54,794)
NET ASSETS				
Beginning	-	-	764,388	764,388
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,594</u>	<u>\$ 709,594</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2013

	Proprietary Fund (Water)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 459,566
Payments to employees	(150,584)
Payments to suppliers	<u>(129,629)</u>
Net cash provided by operating activities	<u>179,353</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
General obligation bond payments:	
Principal	(41,053)
Interest	<u>(53,824)</u>
Net cash used in capital and related financing activities	<u>(94,877)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(3,559)
Interest income	<u>4,199</u>
Net cash used in investing activities	<u>640</u>
Net change in cash and cash equivalents	85,116
CASH AND CASH EQUIVALENTS	
Beginning	<u>227,770</u>
Ending	<u>\$ 312,886</u>
CASH AND CASH EQUIVALENTS CONSIST OF:	
Unrestricted cash	\$ 290,924
Restricted cash	<u>21,962</u>
Total cash	<u>\$ 312,886</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2013

(Concluded)

	Proprietary Fund (Water)
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (5,169)
Reconciliation of operating loss to net cash provided by operating activities	
Depreciation and amortization	202,400
Deposits	670
Changes in assets and liabilities:	
Accounts receivable	(22,848)
Accrued expenses	1,852
Accounts payable	<u>2,448</u>
Net cash provided by operating activities	<u>\$ 179,353</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Windsor is a municipal corporation governed by an elected mayor, vice mayor and a five-member council. The accompanying financial statements present the financial position of the Town of Windsor, Virginia.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. All significant interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the governmental funds and proprietary fund. The major individual governmental funds and proprietary fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 1. SUMMARY OF ACCOUNTING POLICIES AND PROCEDURES (Continued)

Property taxes, sales and use taxes, other local taxes, licenses and interest income 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 the government receives cash.

Funds

Governmental Funds are those which are used to account for most governmental functions of the Town. The government reports two major Governmental Funds – the General Fund and Other Governmental Fund. The General Fund is the government's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Other Governmental Fund accounts for monies received from the Community Development Block Grant.

Proprietary Funds are used to account for Town operations, which are similar to those often found in the private sector. The operations of such Funds are generally intended to be self-supporting. The government reports one Proprietary Fund – the Water Fund. The Water Fund accounts for the operation of water services for the Town.

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

The Proprietary Fund distinguishes operating revenues and expenditures from non-operating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods in connection with each fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Water Fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenditures.

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

The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Proprietary and Fiduciary (Trust) Funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 1. SUMMARY OF ACCOUNTING POLICIES AND PROCEDURES (Continued)

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The government's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of certificates of deposit with original maturities exceeding three months at the date of acquisition.

Receivables and Payables

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to \$53,109 at June 30, 2013.

Real estate taxes, levied July 1, and personal property taxes, levied January 1, are billed annually and are due December 5 of each year. Tax rates for bills due December 5, 2012, were \$.10 per \$100 assessed value for real estate, \$.50 per \$100 assessed value for personal property, \$.10 per \$100 assessed value of machinery and tools, and \$.10 per \$100 assessed value for mobile homes.

A ten-percent penalty is imposed on all delinquent taxes collected after the due date. Interest is imposed at the next billing cycle at the rate of ten percent annually. Real estate taxes receivable are maintained for ten years and personal property taxes receivable for five years before they are written off.

The Town bills and collects its own property taxes. Property taxes are based upon the rate levied by Town Council multiplied by the taxable assessed value. The assessed value of real estate and personal property is determined for the Town by the Commissioner of Revenue of the County of Isle of Wight.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 1. SUMMARY OF ACCOUNTING POLICIES AND PROCEDURES (Continued)

Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	25-40 years
Infrastructure	25 years
Water system and towers	25 years
Furniture and equipment	5-10 years
Computer software	3 years

Long-term Obligations

In the government-wide financial statements, bond repayment obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond issuance costs during the period incurred. The face amount of the debt issued is reported as an "other financing source."

Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in two components as follows:

- *Invested in Capital Assets, Net of Related Debt* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted* – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Balances

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

- *Unassigned* -- This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only that reports a positive unassigned fund balance amount.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances reconciles the *net change in fund balance – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$454,832 difference are as follows:

Capital outlays	\$ 529,211
Depreciation expense	<u>(78,296)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>Changes in net assets of Governmental Funds</i>	\$ <u>450,915</u>
Amortization expense	\$ <u>3,917</u>
Net adjustment to increase <i>net changes in fund Balances – total governmental funds</i> to arrive at <i>Changes in net assets of Governmental Funds</i>	\$ <u>3,917</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General and Water Funds. Annual operating budgets are adopted by ordinances and resolutions passed by the Town Council for those funds. The Town does not integrate the use of encumbrance accounting in any of its funds. The Town Council authorizes the original budgets and revisions, if any, at the department level.

NOTE 4. CASH AND INVESTMENTS

Deposits

At year-end, the carrying value of the Town's deposits with banks and savings institutions was \$1,165,339 and the bank balance was \$1,228,727. The bank balance was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 4. CASH AND INVESTMENTS (Concluded)

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. There were no uninsured or uncollateralized amounts at June 30, 2013.

Investments

At June 30, 2013, the Town's investment balance consists of the following:

General Fund

Certificates of deposit	\$ 493,585
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Business-type Funds

Certificates of deposit	\$ 265,824
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NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at year-end are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 181,012	\$ -
Proprietary Fund	-	181,012
	<u>\$ 181,012</u>	<u>\$ 181,012</u>

NOTE 6. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at year-end are as follows:

Isle of Wight County:

State sales tax	\$ 7,086
Traffic fines	11,960
Total	<u>\$ 19,046</u>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 7. CAPITAL ASSETS

Capital asset activity at year-end was as follows:

Governmental activities:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 78,360	\$ -	\$ 78,360
Land	<u>1,358,118</u>	<u>200,000</u>	<u>-</u>	<u>1,558,118</u>
Total capital assets not being depreciated	<u>1,358,118</u>	<u>278,360</u>	<u>-</u>	<u>1,636,478</u>
Capital assets being depreciated:				
Buildings and improvements	683,253	189,262	-	872,515
Infrastructure	212,936	-	-	212,936
Vehicles and equipment	554,957	61,589	-	616,546
Software	<u>45,860</u>	<u>-</u>	<u>-</u>	<u>45,860</u>
Total capital assets being depreciated	<u>1,497,006</u>	<u>250,851</u>	<u>-</u>	<u>1,747,857</u>
Less accumulated depreciation for:				
Buildings and improvements	322,429	16,765	-	339,194
Infrastructure	69,856	9,371	-	79,227
Vehicles and equipment	431,069	48,600	-	479,669
Software	<u>42,301</u>	<u>3,560</u>	<u>-</u>	<u>45,861</u>
Total accumulated depreciation	<u>865,655</u>	<u>78,296</u>	<u>-</u>	<u>943,951</u>
Total capital assets being depreciated, net	<u>631,351</u>	<u>172,555</u>	<u>-</u>	<u>803,906</u>
Capital assets, net	<u>\$ 1,989,469</u>	<u>\$ 450,915</u>	<u>\$ -</u>	<u>\$ 2,440,384</u>

Depreciation expense for the governmental funds was charged to the following:

General government	\$ 18,149
Public safety	38,023
Public works	<u>22,124</u>
Total depreciation expense	<u>\$ 78,296</u>

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 7. CAPITAL ASSETS (Concluded)

Business-type activities:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 40,211	\$ -	\$ -	\$ 40,211
Capital assets being depreciated:				
Structures and improvements	2,364,854	-	-	2,364,854
Water mains	1,590,012	-	-	1,590,012
Meters and equipment	479,380	-	-	479,380
Total capital assets being depreciated	4,434,246	-	-	4,434,246
Less accumulated depreciation for:				
Structures and improvements	762,647	79,957	-	842,604
Water mains	1,304,689	81,573	-	1,386,262
Meters and equipment	387,400	39,031	-	426,431
Total accumulated depreciation	2,454,736	200,561	-	2,655,299
Total capital assets being depreciated, net	1,979,510	(200,561)	-	1,778,949
Capital assets, net	\$ 2,019,721	\$ (200,561)	\$ -	\$ 1,819,160

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 8. LONG-TERM DEBT OBLIGATIONS

Government-type activities

The Town authorized and issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. The original amount of this general obligation bond is \$520,284. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Payments of principal and interest of 3.07% per year are due annually through April 2017.

\$ 419,353

Due within one year

102,455

Due in more than one year

\$ 316,898

The annual future debt service requirement of the general obligation bond for fiscal years ended June 30 is as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 102,455	\$ 12,874
2015	104,028	9,729
2016	105,624	6,535
2017	<u>107,246</u>	<u>3,292</u>
	<u>\$ 419,353</u>	<u>\$ 32,430</u>

Business-type activities

The Town authorized and issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. The original amount of this general obligation bond is \$774,742. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Payments of principal and interest of 3.07% per year are due monthly through April 2032.

\$ 746,648

The Town authorized and issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. The original amount of this general obligation bond was \$879,000. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Beginning April 2011, payments of principal and interest of 3.25% per year are due monthly in the amount of \$3,323 through September 2047.

824,104

Total debt

1,570,752

Due within one year

40,831

Due in more than one year

\$ 1,529,921

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 8. LONG-TERM DEBT OBLIGATIONS (Concluded)

The annual future debt service requirement of the general obligation bond for fiscal years ended June 30 is as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 40,830	\$ 49,512
2015	40,697	48,228
2016	40,553	46,947
2017	40,399	45,669
2018	49,128	44,396
2019 – 2023	271,463	197,793
2024 – 2028	316,169	152,387
2029 – 2033	315,466	99,482
2034 – 2038	135,809	63,541
2039 – 2043	159,738	39,642
2044 – 2048	160,500	11,783
	<u>\$ 1,570,752</u>	<u>\$ 799,380</u>

The following is a summary of changes in the Town's long-term debt obligations for the fiscal year ended June 30, 2013:

Business-type activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
General obligation debt	\$ 1,611,805	\$ -	\$ 41,053	\$ 1,570,752

NOTE 9. SURETY BONDS OF PRINCIPAL OFFICIALS

The Town maintained the following surety bond coverage as of June 30, 2013:

Selective Insurance Company – Surety bond	
Town Manager – blanket bond	\$ 50,000
Town Treasurer / Clerk – blanket bond	\$ 50,000

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 10. RETIREMENT PLAN

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (VRS)

Plan Description

All full time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, activity duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 10. RETIREMENT PLAN (Continued)

At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option.

A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500 Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. The Town may assume this 5.00% member contribution, which they have done. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013, was 8.58% of annual covered payroll.

Annual Pension Cost,

For fiscal year ended June 30, 2013, the Town's annual pension cost of \$35,691 was equal to the Town's required and annual contributions. The required contributions were determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. The method used techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 10. RETIREMENT PLAN (Concluded)

Schedule of Funding Progress for the Town of Windsor, Virginia

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	\$416,531	\$543,054	\$126,523	76.70%	\$516,604	24.49%
6/30/2011	\$360,318	\$510,695	\$150,377	70.55%	\$505,807	29.73%
6/30/2010	\$307,904	\$402,456	\$94,552	76.51%	\$411,599	22.97%
6/30/2009	\$263,088	\$350,757	\$87,669	75.01%	\$415,657	21.09%
6/30/2008	\$206,348	\$287,638	\$81,291	71.74%	\$461,576	17.61%

NOTE 12. GRANTS

In the normal course of operations, the Town receives grant funds from various state and Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

NOTE 13. LEASING ARRANGEMENTS

The Town leases a building to the U.S. Postal Service under a non-cancelable lease expiring May 26, 2016. The building is adjacent to the Town Hall and the lease calls for monthly rent of \$1,500.

Future minimum rental income under non-cancelable operating leases for the years ending June 30:

2014	\$18,000
2015	18,000
2016	16,500

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 14. GENERAL FUND REIMBURSEMENTS

Within the revenue from local sources, the General Fund includes reimbursements from the Water Fund in the amount of \$213,351. The reimbursements result from three sources: payroll, protection provided to the water system and indirect costs paid by the General Fund on behalf of the other Fund. The reimbursements are to cover the following expenditures that were paid by the General Fund on behalf of the other fund:

Water Fund:

Payroll	\$	152,436
Protection of the water system		13,200
Overtime		300
Equipment		1,050
Equipment rental		1,650
Information technology		13,650
Insurance		8,400
Maintenance contracts		1,800
Postal services		1,860
Professional services		4,500
Supplies		2,775
Telephone		2,100
Travel and training		2,700
Vehicle allowance		1,440
Repair and maintenance		2,790
Utilities		2,700
	\$	<u>213,351</u>

These costs are reflected as reimbursements from the Water Fund in the General Fund revenues and the costs included within the related expenditure categories of the General Fund, to comply with the budget that was adopted for the 2012-2013 year. In the Water Fund, they are reflected as payments to the General Fund within the expenditures and not allocated to the various expenditure categories.

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, expenditures exceeded appropriations in the following budget line items:

General Management:

Salaries and wages	\$	3,965
DMV stop fee		1,575
Information technology		4,741

Public Safety:

Salaries and wages	\$	12,212
DMV grant disbursements		6,615

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2013

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (Concluded)

Public Works:

Salaries and wages	\$	1,420
Street light utilities		1,224

NOTE 16. SUBSEQUENT EVENT

Management has evaluated subsequent events through December 15, 2013, the date on which financial statements were available to be issued.

INDIVIDUAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
General property taxes:				
Current real estate tax	\$ 180,000	\$ 180,000	\$ 185,871	\$ 5,871
Delinquent real estate tax	1,750	1,750	795	(955)
Current mobile home tax	4,500	4,500	4,762	262
Delinquent mobile home tax	250	250	31	(219)
Current personal property tax	58,000	58,000	66,590	8,590
Delinquent personal property tax	3,500	3,500	703	(2,797)
Personal property tax relief	19,525	19,525	19,527	2
Public Service Corporation tax	8,750	8,750	10,156	1,406
Penalties and interest on delinquent taxes	3,000	3,000	3,179	179
Total general property taxes	<u>279,275</u>	<u>279,275</u>	<u>291,614</u>	<u>12,339</u>
Other local taxes:				
Bank franchise tax	118,750	122,000	139,578	17,578
Communication/Cable franchise tax	64,000	64,000	68,313	4,313
Cigarette tax	45,000	45,000	48,300	3,300
Local sales tax	78,000	78,000	82,292	4,292
Meals tax	231,000	246,000	289,639	43,639
Consumer utility tax	88,000	88,000	93,658	5,658
Total other local taxes	<u>624,750</u>	<u>643,000</u>	<u>721,780</u>	<u>78,780</u>
Revenue from other sources:				
Licenses:				
Merchants & other licenses	110,000	110,000	142,693	32,693
Motor vehicle licenses	40,000	40,000	40,051	51
Total licenses	150,000	150,000	182,744	32,744
Post office rental	18,000	18,000	18,000	-
Traffic fines	110,500	110,500	160,190	49,690
Total revenue from other sources	<u>278,500</u>	<u>278,500</u>	<u>360,934</u>	<u>82,434</u>
Miscellaneous revenues:				
Administrative collection fee	5,000	5,000	5,370	370
Cemetery plot sales	1,000	1,000	2,400	1,400
Credit card convenience fee	350	350	537	187
Donations	-	2,600	2,350	(250)
Other miscellaneous revenue	4,000	5,270	58,036	52,766
Zoning fees	1,500	1,500	4,625	3,125
Interest earned	12,000	12,000	13,040	1,040
Total miscellaneous revenue	<u>23,850</u>	<u>27,720</u>	<u>86,358</u>	<u>58,638</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2013

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
Reimbursements from water fund	60,950	60,950	60,915	(35)
Total revenue from local sources	1,267,325	1,289,445	1,521,601	232,156
REVENUE FROM FEDERAL GOVERNMENT				
COPS grant	58,569	58,569	50,217	(8,352)
USDJ bullet proof vest	-	-	3,150	3,150
Total revenue from the Federal Government	58,569	58,569	53,367	(5,202)
REVENUE FROM COMMONWEALTH OF VIRGINIA				
Categorical aid:				
Litter control	1,200	1,200	1,203	3
Fire program funds	7,200	8,000	8,000	-
Six-Year Improvement Fund	45,000	45,000	-	(45,000)
Total categorical aid	53,400	54,200	9,203	(44,997)
Noncategorical aid:				
Mobile home titling taxes	2,000	2,000	5,352	3,352
Police 599 funding	57,289	57,289	57,288	(1)
DMV grant	-	-	2,800	2,800
DMV grant - (ALCOHOL)	-	6,320	4,650	(1,670)
DMV grant - (SPEED)	-	5,075	2,450	(2,625)
DMV fees for DMV stops	-	-	1,740	1,740
Total non-categorical aid	59,289	70,684	74,280	3,596
Total revenue from the Commonwealth of Virginia	112,689	124,884	83,483	(41,401)
Total revenues	1,438,583	1,472,898	1,658,451	185,553
Prior year fund balance	55,000	31,700	-	(31,700)
Transfers from reserves (restricted cash)	-	633,725	-	(633,725)
	<u>\$ 1,493,583</u>	<u>\$ 2,138,323</u>	<u>\$ 1,658,451</u>	<u>\$ (479,872)</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
GENERAL GOVERNMENT				
ADMINISTRATION				
Legislative				
Mayor and Council compensation	\$ 9,600	\$ 8,400	\$ 8,400	\$ -
Advertising	1,650	1,650	1,150	500
Audit	15,000	15,000	15,000	-
Dues and subscriptions	-	-	-	-
Special meetings	1,000	1,000	736	264
Travel and training	6,800	6,800	5,463	1,337
Total legislative expenses	<u>34,050</u>	<u>32,850</u>	<u>30,749</u>	<u>2,101</u>
Legal				
Legal services	36,000	36,000	26,220	9,780
Dues and subscriptions	350	350	-	350
Publications	300	300	-	300
Supplies	100	100	-	100
Travel and training	500	500	-	500
Total legal expenses	<u>37,250</u>	<u>37,250</u>	<u>26,220</u>	<u>11,030</u>
General Management				
Salaries and wages	101,025	101,025	104,990	(3,965)
Overtime	1,000	2,500	2,356	144
Non-compensation expenses:				
FICA	7,730	7,730	6,707	1,023
Health Insurance	18,250	22,150	21,635	515
Retirement	9,525	9,525	9,468	57
Life Insurance	2,940	2,940	2,590	350
Advertising	500	500	284	216
Bank fees	1,200	1,200	883	317
DMV stop fee	-	-	1,575	(1,575)
Dues and subscriptions	3,500	3,500	3,228	272
Education - Town Manager	4,400	4,400	3,895	505
Equipment	3,500	3,500	2,891	609
Equipment rental	5,500	5,500	5,301	199
Information technology	45,500	46,700	51,441	(4,741)
Maintenance contracts	6,000	6,000	4,862	1,138
Postal services	6,200	6,200	6,112	88
Professional services	17,000	17,000	16,394	606
Publications	3,000	3,000	1,531	1,469
Supplies	9,000	9,000	8,203	797
Telephone-communications	7,000	7,000	6,179	821
Travel and training	9,000	9,000	6,487	2,513
Vehicle allowance	4,800	4,800	4,800	-
Total general management	<u>266,570</u>	<u>273,170</u>	<u>271,812</u>	<u>1,358</u>
Total General Government Administration	<u>337,870</u>	<u>343,270</u>	<u>328,781</u>	<u>14,489</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2013

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 221,150	\$ 221,150	\$ 233,362	\$ (12,212)
Special grant funded position	58,660	58,660	49,668	8,992
Overtime	25,000	20,000	19,757	243
Non-compensation expenses:				
FICA	18,830	18,830	16,293	2,537
Health insurance	48,100	48,100	46,135	1,965
Retirement	18,980	18,980	18,973	7
Life insurance	2,925	2,925	2,631	294
Advertising	500	-	-	-
Community relations	600	4,470	4,464	6
Dues and subscriptions	1,300	1,010	1,010	-
Equipment	7,200	9,200	9,088	112
DMV grant disbursements	-	-	6,615	(6,615)
DMV grant disbursements (ALCOHOL)	-	6,320	4,200	2,120
DMV grant disbursements (SPEED)	-	5,075	-	5,075
Information technology	2,000	1,710	1,708	2
Investigations	400	400	400	-
Miscellaneous expenses	-	-	-	-
Supplies	1,250	1,250	1,235	15
Telephone-communications	8,500	7,000	6,665	335
Travel and training	7,000	6,500	6,488	12
Vehicle fuel and tires	35,000	40,280	39,901	379
Vehicle repairs and maintenance	12,000	14,500	14,485	15
Total police	<u>469,395</u>	<u>486,360</u>	<u>483,078</u>	<u>3,282</u>
Fire Department				
Contribution	13,657	13,657	13,657	-
Grant	7,200	8,000	8,000	-
Total fire department	<u>20,857</u>	<u>21,657</u>	<u>21,657</u>	<u>-</u>
Rescue Squad				
Contribution	13,115	13,115	13,115	-
Total public safety	<u>503,367</u>	<u>521,132</u>	<u>517,850</u>	<u>3,282</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2013

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC WORKS				
Public works and property maintenance				
Salaries and wages	\$ 39,600	\$ 39,600	\$ 41,020	\$ (1,420)
Overtime	2,000	500	-	500
Part-time temporary	5,000	7,200	5,996	1,204
Non-compensation expenses:				
FICA	3,030	3,030	2,341	689
Health insurance	8,660	8,660	8,642	18
Retirement	3,395	3,395	3,389	6
Life insurance	525	525	419	106
Building repairs and maintenance	6,000	25,250	24,584	666
Clothing - uniforms	1,000	1,000	910	90
Equipment	3,500	3,500	3,401	99
Equipment rental	500	500	-	500
Equipment repairs and maintenance	3,000	3,000	2,585	415
Rental property repairs and maintenance	2,500	2,500	430	2,070
Street and sidewalk maintenance	8,000	5,800	168	5,632
Street light utilities	30,000	29,400	30,624	(1,224)
Utilities	8,500	9,100	9,033	67
Vehicle fuel	4,000	4,000	3,136	864
Vehicle repairs and maintenance	1,000	1,000	-	1,000
Total public works and property maintenance	<u>130,210</u>	<u>147,960</u>	<u>136,678</u>	<u>11,282</u>
Refuse collection				
Residential collection	70,500	70,500	69,960	540
Seasonal clean-ups	3,000	3,000	2,088	912
Total refuse collection	<u>73,500</u>	<u>73,500</u>	<u>72,048</u>	<u>1,452</u>
Total public works	<u>203,710</u>	<u>221,460</u>	<u>208,726</u>	<u>12,734</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2013

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
COMMUNITY DEVELOPMENT				
Planning and community development				
Salaries and wages	\$ 45,000	\$ 45,000	\$ 41,867	\$ 3,133
Compensation - Planning Commission	2,200	2,200	2,200	-
Non-compensation expense:				
FICA	3,450	3,450	3,024	426
Health insurance	9,625	9,625	9,617	8
Retirement	3,875	3,875	3,861	14
Life insurance	700	700	536	164
Advertising	1,000	1,000	456	544
Dues and subscriptions	600	600	380	220
Professional services	3,000	17,500	5,665	11,835
Publications	100	100	-	100
Supplies	200	200	-	200
Telephone-communications	850	850	601	249
Travel and training	3,000	3,000	2,112	888
Vehicle fuel	400	1,300	946	354
Vehicle repairs and maintenance	400	600	430	170
	<u>74,400</u>	<u>90,000</u>	<u>71,695</u>	<u>18,305</u>
Cultural events				
4th of July Celebration	2,500	4,000	3,671	329
Christmas Holidays	500	500	284	216
Other events	1,500	1,500	-	1,500
	<u>4,500</u>	<u>6,000</u>	<u>3,955</u>	<u>2,045</u>
Economic development				
Business appreciation	1,250	1,250	1,125	125
Chamber of Commerce:				
Dues and subscriptions	3,500	3,500	3,500	-
Activities	750	750	534	216
Other economic development activities	5,000	5,000	5,000	-
	<u>10,500</u>	<u>10,500</u>	<u>10,159</u>	<u>341</u>
Total community development	<u>89,400</u>	<u>106,500</u>	<u>85,809</u>	<u>20,691</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2013

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
CAPITAL OUTLAY				
Police vehicle	\$ 39,000	\$ 39,000	\$ 37,762	\$ 1,238
General administration vehicle	-	18,500	17,918	582
Information technology upgrades	7,000	7,000	5,909	1,091
Sidewalks - SYIP funds	45,000	45,000	-	45,000
Street lights extension	2,000	2,000	1,918	82
Paving streets - Cemetery	30,000	30,000	15,758	14,242
Police building renovations	-	142,250	62,602	79,648
Space needs - Police Department	-	375,000	389,262	(14,262)
Total capital outlay	<u>123,000</u>	<u>658,750</u>	<u>531,129</u>	<u>127,621</u>
DEBT SERVICE				
Principal	100,931	100,931	100,931	-
Interest	<u>14,069</u>	<u>14,069</u>	<u>13,930</u>	<u>139</u>
Total debt service	<u>115,000</u>	<u>115,000</u>	<u>114,861</u>	<u>139</u>
NON-DEPARTMENTAL				
Contingency	9,036	1,036	1,022	14
Contribution - Library	1,200	1,200	1,200	-
Contribution - TRIAD	1,000	1,000	1,000	-
Grant Funded Position Set Aside	10,000	10,000	-	10,000
Insurance	25,000	26,000	25,832	168
Town signs	25,000	25,000	-	25,000
Future space needs	-	57,750	4,000	53,750
Payments to other governments	<u>50,000</u>	<u>50,000</u>	<u>29,618</u>	<u>20,382</u>
Total non-departmental	<u>121,236</u>	<u>171,986</u>	<u>62,672</u>	<u>109,314</u>
Total expenditures	<u>\$ 1,493,583</u>	<u>\$ 2,138,098</u>	<u>\$ 1,849,828</u>	<u>\$ 288,270</u>

See accompanying notes.

COMPLIANCE SECTION

TOWN OF WINDSOR, VIRGINIA
Computation of Legal Debt Margin
Year Ended June 30, 2013

Total assessed value of taxed real property	<u>\$ 198,099,100</u>
Legal debt limit:	
10 percent of total assessed value of taxable property	19,809,910
Less:	
General obligation bonds outstanding	<u>1,990,105</u>
Legal debt margin	<u>\$ 17,819,805</u>

NOTE:

Virginia state statute limits bond issuing authority of Virginia cities and towns to 10% of assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the Town.

There are no overlapping or underlying tax jurisdictions.

TOWN OF WINDSOR, VIRGINIA
Government-wide Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30	Charges for Services	Operating Grants and Contributions	General Property Taxes	Miscellaneous Revenue and Other Local Taxes	Investment Earnings	Totals
2008	479,497	77,622	259,415	655,031	46,257	1,517,822
2009	556,365	117,343	312,852	747,494	22,772	1,756,826
2010	741,584	89,068	308,117	716,194	43,080	1,898,043
2011	740,537	94,788	294,556	726,887	8,441	1,865,209
2012	657,976	162,045	296,978	765,963	28,257	1,911,219
2013	793,363	132,108	291,614	876,936	16,901	2,110,922

TOWN OF WINDSOR, VIRGINIA
General Government Revenues by Source
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Miscellaneous	Inter- Governmental	Totals
2004	139,249	476,723	99,106	73,681	788,759
2005	164,505	545,527	148,032	18,220	876,284
2006	179,879	535,071	179,141	14,151	908,242
2007	203,287	639,594	140,354	24,811	1,008,046
2008	259,416	681,312	218,775	88,287	1,247,790
2009	303,725	784,127	174,687	110,429	1,372,968
2010	308,117	589,314	299,526	292,797	1,489,754
2011	294,556	598,974	476,909	177,591	1,548,030
2012	301,505	635,768	406,257	160,309	1,503,839
2013	291,614	721,780	508,278	136,850	1,658,522

TOWN OF WINDSOR, VIRGINIA
Government-wide Expenditures by Function
Last Ten Years

Fiscal Year Ended June 30	General Administration	Public Safety	Public Works	Community Development	Water Services	Cemetery	Totals
2008	557,887	385,767	126,423	20,622	476,176	2,111	1,568,986
2009	534,782	436,382	116,126	15,515	467,726	2,276	1,572,807
2010	530,641	435,309	223,313	72,097	499,608	7,091	1,768,059
2011	480,813	396,341	259,180	76,110	520,452	-	1,732,896
2012	397,488	572,075	214,324	84,129	548,391	-	1,816,407
2013	428,572	555,873	232,768	85,810	541,407	-	1,844,430

TOWN OF WINDSOR, VIRGINIA
General Government Expenditures by Function
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>General Adminis- tration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Capital Outlay</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Total</u>
2004	298,478	118,418	84,112	15,218	192,629	1,465	-	710,320
2005	349,278	259,209	88,049	16,574	377,949	40,649	-	1,131,708
2006	362,479	221,604	85,342	22,195	84,553	47,378	-	823,551
2007	389,408	265,780	110,453	18,354	76,920	23,893	-	884,808
2008	425,239	385,767	126,423	20,622	96,459	49,090	-	1,103,600
2009	418,599	436,382	116,126	15,515	9,052	38,490	-	1,034,164
2010	364,373	456,700	223,313	72,097	58,451	74,129	-	1,249,063
2011	386,726	440,151	236,531	76,110	81,834	75,424	-	1,296,776
2012	323,214	533,566	191,674	84,129	1,096,747	76,628	-	2,305,958
2013	328,781	517,850	208,726	85,809	531,129	63,009	114,861	1,850,165

TOWN OF WINDSOR, VIRGINIA
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Estate	Personal Property	Public Utility Real Estate	Public Utility Personal Property	Total
2004	86,346,100	17,967,586	4,517,932	510,804	109,342,422
2005	110,627,800	19,739,925	3,675,956	493,752	134,537,433
2006	115,734,200	21,100,862	3,755,112	448,661	141,038,835
2007	170,233,000	25,628,613	3,605,725	390,186	199,857,524
2008	177,637,100	25,129,326	4,917,427	585,997	208,269,850
2009	198,682,100	26,802,743	5,327,000	580,940	231,392,783
2010	199,729,947	24,044,087	6,139,873	558,683	230,472,590
2011	199,523,700	24,073,454	6,538,981	591,852	230,727,987
2012	200,454,800	25,202,983	5,876,794	621,606	232,156,183
2013	198,099,100	26,774,815	7,351,636	560,870	232,786,421

NOTE: Assessed values provided by Isle of Wight County, Commissioner of Revenue.

TOWN OF WINDSOR, VIRGINIA**Property Tax Rates
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
2004	0.08	0.50	0.10	0.08
2005	0.10	0.50	0.10	0.08
2006	0.10	0.50	0.10	0.08
2007	0.08	0.50	0.10	0.08
2008	0.10	0.50	0.10	0.08
2009	0.10	0.50	0.10	0.08
2010	0.10	0.50	0.10	0.10
2011	0.10	0.50	0.10	0.10
2012	0.10	0.50	0.10	0.10
2013	0.10	0.50	0.10	0.10

NOTE: Per \$100 of assessed value.

TOWN OF WINDSOR, VIRGINIA
Property Tax Levies and Collections
Last Seven Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Levy</u>
2004	107,797	104,430	96.88%	3,367	102,246	94.85%	14,166	13.14%
2005	165,000	162,316	98.37%	2,189	164,505	99.70%	14,166	8.59%
2006	192,806	173,385	89.93%	6,494	179,879	93.30%	16,097	8.35%
2007	213,600	199,999	93.63%	1,194	201,193	94.19%	24,060	11.26%
2008	262,468	246,069	93.75%	516	246,585	93.95%	20,470	7.80%
2009	338,615	291,911	86.21%	921	292,832	86.48%	48,448	14.31%
2010	318,084	301,268	94.71%	12,934	314,202	98.78%	54,996	17.29%
2011	315,787	298,748	94.60%	14,165	312,913	99.09%	55,494	17.57%
2012	320,179	304,162	95.00%	23,970	328,132	102.48%	47,541	14.85%
2013	312,352	295,901	94.73%	10,384	306,285	98.06%	53,109	17.00%



Diane Y. Smith, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of Town Council
Town of Windsor, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Windsor, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Windsor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Town of Windsor, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windsor, Virginia'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 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. 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. We noted no deficiencies that we would consider to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses that are described in the accompanying schedule of findings and questioned costs: 2010-1 Financial Statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Windsor, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Diane Y. Smith, CPA, PC

Newport News, Virginia

December 15, 2013

TOWN OF WINDSOR, VIRGINIA
Schedule of Findings
June 30, 2013

FINDINGS – FINANCIAL STATEMENTS

MATERIAL WEAKNESS

2010-1 – Financial Statements

Condition: Management seeks the assistance of the auditor in drafting the financial statements, recording debt and major capital assets, and conversion of financial statements to comply with GASB 34.

Criteria: Internal controls should be in place that provides reasonable assurance that the system will prevent, detect, and correct potential misstatements in the financial statements and disclosures.

Effect: Management relied on the auditor to draft the financial statements and make significant adjusting journal entries to the financial statements.

Recommendation: Town Council should evaluate the finding disclosed to assess the cost benefit of hiring accounting staff with the high level of expertise necessary to prepare the financial statements and disclosures that would be required by an ideal system of internal control.

