

Town of Windsor, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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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, 2012. 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, 2012:

- General Fund revenues were \$48,197 less than originally anticipated by Town Council for the year's final operating budget. The budgeted revenues, however, include \$205,000 that was budgeted for the VDOT sidewalk funds. If this amount were subtracted from the calculation, revenues would have been \$156,803 greater than anticipated
- General fund expenditures were \$279,846 less than appropriated by Town Council for the year's final operating budget. This amount includes \$205,000 that was budgeted for the VDOT sidewalk funds. If the VDOT funds were removed from this calculation, expenditures would only have been \$74,846 less than anticipated.
- The fund balance of the governmental funds was reduced from \$2,503,160 to an ending balance of \$1,771,325, primarily due to the purchase of land.
- 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 \$29,233 more than originally anticipated by Town Council for the final operating budget of the year.
- The expenditures of the proprietary (water) fund were \$207,551 greater than originally anticipated by Town Council for the final operating budget of the year. If the unfunded portion of depreciation expenses, or \$196,591, were removed, then expenditures would only have been \$10,960 less than anticipated.
- The Proprietary fund balance decreased from \$905,399 to \$764,388 during the fiscal year ending June 30, 2012, due to depreciation expense of \$206,591 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$1,930,207	\$ 2,145,434	\$ 937,312	\$ 339,126	\$ 2,857,519	\$ 2,484,560
Capital Assets	2,024,469	1,006,114	1,498,548	2,219,733	3,523,017	3,225,847
Total Assets	\$3,954,676	\$ 3,151,548	\$ 2,425,860	\$ 2,558,859	\$ 6,380,536	\$ 5,710,407
Long-Term Liabilities	\$ 520,284	\$ -	\$ 1,611,805	\$ 1,602,788	\$ 2,132,089	\$ 1,602,788
Other Liabilities	37,295	92,274	49,667	50,672	188,962	142,946
Total Liabilities	\$ 659,579	\$ 92,274	\$ 1,661,472	\$ 1,653,460	\$ 2,321,051	\$ 1,745,734
Invested in Capital Assets, net of Related Debt	\$ 1,504,185	\$ 1,006,114	\$ 407,027	\$ 2,219,733	\$ 1,911,212	\$ 3,225,847
Unrestricted	1,790,912	2,053,160	(1,171,415)	(1,314,334)	619,497	738,829
Total Net Assets	\$ 3,295,097	\$ 3,059,274	\$ 764,388	\$ 905,399	\$ 4,059,485	\$ 3,964,673

By far, the largest portion of the Town of Windsor's net assets, 55%, 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	2012	2011	2012	2011	2012	2011
Program Services:						
Charges for services	\$ 253,993	\$ 347,254	\$ 403,983	\$ 393,283	\$ 657,976	\$ 740,537
Operating grants	162,045	94,788	-	-	162,045	94,788
General Revenues:						
Property taxes	296,978	294,556	-	-	296,978	294,556
Other taxes	765,963	726,887	-	-	765,963	726,887
Interest	24,860	5,150	3,397	3,291	28,257	8,441
Total Revenues	\$ 1,503,839	\$ 1,468,635	\$ 407,380	\$ 396,574	\$ 1,911,219	\$ 1,865,209

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

	Governmental Activities		Business-Type Activities		Total	
EXPENSES	2012	2011	2012	2011	2012	2011
General government	\$ 337,819	\$ 404,889	\$ -	\$ -	\$ 337,819	\$ 404,889
Public safety	572,075	396,341	-	-	572,075	396,341
Public works	214,324	259,180	-	-	214,324	259,180
Community development	84,129	76,110	-	-	84,129	76,110
Non-departmental	59,669	75,424	-	-	59,669	75,424
Water services	-	-	548,391	520,452	548,391	520,452
Total Expenses	\$ 1,268,016	\$ 1,211,944	\$ 548,391	\$ 520,452	\$ 1,816,407	\$ 1,732,396

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 \$48,197 less than anticipated, and expenditures were \$279,846 less than budgeted. The net outcome was that budgeted revenues exceeded budgeted expenditures by \$231,649. Due to the large capital expenditures made during the year, however, the fund balance was \$281,835 less than the prior year.

The Water Fund's revenues exceeded the budget by \$29,233. Expenditures were \$207,551 greater than the budget. This is due to the fact that the Town does not fully fund depreciation expense in its Water Fund budget.

Economic Factors

Despite the recession that existed throughout the fiscal year ending June 30, 2012, 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 is a further downturn in the economy, they may 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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Windsor, Virginia as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Windsor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Windsor, Virginia, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the Town of Windsor, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, individual statements and statistical information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

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, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windsor, Virginia's financial statements as a whole. The introductory section, individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. 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 express no opinion on them.

Diane Y. Smith, CPA, PC

December 5, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 460,142	\$ 205,849	\$ 665,991
Restricted	688,493	21,921	710,414
Receivables			
Taxes (net of allowance for uncollectibles)	77,298	-	77,298
Other receivables	-	53,594	53,594
Prepaid expenses	3,804	-	3,804
Due from other governmental units	15,177	-	15,177
Internal balances	181,012	(181,012)	-
Investments	484,694	262,265	746,959
Capital assets (net of accumulated depreciation)	631,351	1,979,510	2,610,861
Capital assets (not being depreciated)	1,358,118	40,211	1,398,329
Deferred bond cost (net of accumulated amortization)	<u>19,587</u>	<u>43,522</u>	<u>63,109</u>
Total assets	<u>\$ 3,919,676</u>	<u>\$ 2,425,860</u>	<u>\$ 6,345,536</u>
LIABILITIES			
Accounts payable	\$ 49,247	\$ 946	\$ 50,193
Accrued expenses	53,958	15,672	69,630
Deposits payable	-	33,049	33,049
Deferred revenue	1,090	-	1,090
Bonds payable			
Due within one year	100,906	40,955	141,861
Due in more than one year	<u>419,378</u>	<u>1,570,850</u>	<u>1,990,228</u>
Total liabilities	<u>624,579</u>	<u>1,661,472</u>	<u>2,286,051</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,504,185	407,027	1,911,212
Unrestricted	<u>1,790,912</u>	<u>357,361</u>	<u>2,148,273</u>
Total net assets	<u>3,295,097</u>	<u>764,388</u>	<u>4,059,485</u>
Total liabilities and net assets	<u>\$ 3,919,676</u>	<u>\$ 2,425,860</u>	<u>\$ 6,345,536</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activity	Business-type Activity	
Primary government:						
General government						
General government administration	\$ 337,819	\$ 120,743	\$ 833	\$ (216,243)	\$ -	\$ (216,243)
Public safety	572,075	132,650	161,212	(278,213)	-	(278,213)
Public works	214,324	600	-	(213,724)	-	(213,724)
Community development	84,129	-	-	(84,129)	-	(84,129)
Nondepartmental	59,669	-	-	(59,669)	-	(59,669)
Total governmental activities	<u>1,268,016</u>	<u>253,993</u>	<u>162,045</u>	<u>(851,978)</u>	<u>-</u>	<u>(851,978)</u>
Business-type activities:						
Water services	<u>548,391</u>	<u>403,983</u>	<u>-</u>	<u>-</u>	<u>(144,408)</u>	<u>(144,408)</u>
Total business-type activities	<u>548,391</u>	<u>403,983</u>	<u>-</u>	<u>-</u>	<u>(144,408)</u>	<u>(144,408)</u>
Total primary government	<u>\$ 1,816,407</u>	<u>\$ 657,976</u>	<u>\$ 162,045</u>	<u>(851,978)</u>	<u>(144,408)</u>	<u>(996,386)</u>
General Revenues:						
Real estate and personal property taxes				296,978	-	296,978
Local sales and use taxes				89,172	-	89,172
Consumers' utility taxes				90,701	-	90,701
Merchants & other licenses				117,343	-	117,343
Bank franchise taxes				122,653	-	122,653
Communication taxes				68,132	-	68,132
Meals taxes				206,461	-	206,461
Other local revenue				71,501	-	71,501
Investment earnings				<u>24,860</u>	<u>3,397</u>	<u>28,257</u>
Total general revenues				<u>1,087,801</u>	<u>3,397</u>	<u>1,091,198</u>
Change in net assets				235,823	(141,011)	94,812
NET ASSETS						
Beginning				<u>3,059,274</u>	<u>905,399</u>	<u>3,964,673</u>
Ending				<u>\$ 3,295,097</u>	<u>\$ 764,388</u>	<u>\$ 4,059,485</u>

See accompanying notes.

FUND FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA**Balance Sheet
Governmental Funds
June 30, 2012**

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 460,142	\$ -	\$ 460,142
Restricted	641,002	47,491	688,493
Receivables			
Taxes (net of allowances for uncollectibles)	77,298	-	77,298
Prepaid expenses	3,804	-	3,804
Due from other governmental units	15,177	-	15,177
Due from other funds	181,012	-	181,012
Investments	484,694	-	484,694
Total assets	<u>\$ 1,863,129</u>	<u>\$ 47,491</u>	<u>\$ 1,910,620</u>
LIABILITIES			
Accounts payable	\$ 84,247	\$ -	\$ 84,247
Accrued expenses	53,958	-	53,958
Deferred revenue	1,090	-	1,090
Total liabilities	139,295	-	139,295
FUND BALANCES			
Unrestricted:			
Unassigned	<u>1,723,834</u>	<u>47,491</u>	<u>1,771,325</u>
Total liabilities and fund balances	<u>\$ 1,863,129</u>	<u>\$ 47,491</u>	<u>\$ 1,910,620</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012

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

Total governmental fund balances	\$ 1,910,620
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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.	2,024,469
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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>19,587</u>
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Total net assets of governmental activities	<u>\$ 3,954,676</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, 2012

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 296,978	\$ -	\$ 296,978
Other local taxes	635,768	-	635,768
Revenue from the Federal Government	42,993	114	43,107
Revenues from the Commonwealth	121,729	-	121,729
Revenue from other sources	310,262	-	310,262
Miscellaneous revenue	42,918	-	42,918
Reimbursements from other funds	<u>53,077</u>	<u>-</u>	<u>53,077</u>
Total revenues	<u>1,503,725</u>	<u>114</u>	<u>1,503,839</u>
EXPENDITURES			
General government administration	323,214	-	323,214
Public safety	533,566	-	533,566
Public works	191,674	-	191,674
Community development	84,129	-	84,129
Capital outlays	1,096,747	-	1,096,747
Non-departmental	<u>76,628</u>	<u>-</u>	<u>76,628</u>
Total expenditures	<u>2,305,958</u>	<u>-</u>	<u>2,305,958</u>
Excess of expenditures over revenues	<u>(802,233)</u>	<u>114</u>	<u>(802,119)</u>
OTHER FINANCING SOURCES			
Bond proceeds	<u>520,284</u>	<u>-</u>	<u>520,284</u>
Total other financing sources	<u>520,284</u>	<u>-</u>	<u>520,284</u>
Net change in fund balances	<u>(281,949)</u>	<u>114</u>	<u>(281,835)</u>
FUND BALANCES			
Beginning	<u>2,005,783</u>	<u>47,377</u>	<u>2,053,160</u>
Ending	<u>\$ 1,723,834</u>	<u>\$ 47,491</u>	<u>\$ 1,771,325</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, 2012

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

Net change in fund balance - total governmental funds	\$ (281,835)
Governmental funds report bond proceeds as revenues. However, in the statement of net assets the proceeds are reported as notes payable.	(520,284)
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.	16,027
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of those assets are allocated over their esstimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>1,021,915</u>
Change in net assets of governmental activities	<u>\$ 235,823</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
General property taxes	\$ 286,475	\$ 286,475	\$ 296,978	\$ 10,503
Other local taxes	559,000	559,000	635,768	76,768
Revenue from other sources	234,000	234,000	310,262	76,262
Miscellaneous revenue	28,325	30,175	42,918	12,743
Revenue from the Federal Government	58,569	58,888	43,107	(15,781)
Revenues from the Commonwealth	274,189	330,421	121,729	(208,692)
Reimbursements from other funds	<u>53,077</u>	<u>53,077</u>	<u>53,077</u>	<u>-</u>
Total revenues	<u>1,493,635</u>	<u>1,552,036</u>	<u>1,503,839</u>	<u>(48,197)</u>
EXPENDITURES				
General government administration	334,104	331,104	323,214	7,890
Public safety	479,195	556,199	533,566	22,633
Public works	212,507	209,507	191,674	17,833
Community development	93,629	92,494	84,129	8,265
Capital outlays	303,000	1,299,500	1,096,747	202,753
Non-departmental	<u>71,200</u>	<u>97,100</u>	<u>76,628</u>	<u>20,472</u>
Total expenditures	<u>1,493,635</u>	<u>2,585,904</u>	<u>2,305,958</u>	<u>279,846</u>
Excess of revenues over expenditures	-	(1,033,868)	(802,119)	231,749
OTHER FINANCING SOURCES				
Bond proceeds	<u>-</u>	<u>-</u>	<u>520,284</u>	<u>520,284</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>520,284</u>	<u>520,284</u>
Net change in fund balances	-	(1,033,868)	(281,835)	752,033
Prior year fund balance		575,765	-	(575,765)
Transfers from reserves (restricted cash)	<u>-</u>	<u>458,103</u>	<u>-</u>	<u>(458,103)</u>
	-	-	(281,835)	(281,835)
FUND BALANCES				
Beginning	<u>-</u>	<u>-</u>	<u>2,053,160</u>	<u>2,053,160</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,771,325</u>	<u>\$ 1,771,325</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Statement of Net Assets

Proprietary Fund

June 30, 2012

	Proprietary Fund (Water)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 205,849
Restricted	21,921
Accounts receivable (net of allowances for uncollectibles)	53,594
Investments	<u>262,265</u>
Total current assets	<u>543,629</u>
NONCURRENT ASSETS	
Capital assets (net of accumulated depreciation)	1,978,621
Capital assets (not being depreciated)	40,211
Deferred bond costs (net of accumulated amortization)	<u>44,411</u>
Total noncurrent assets	<u>2,063,243</u>
Total assets	<u><u>\$ 2,606,872</u></u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Statement of Net Assets

Proprietary Fund

June 30, 2012

	Proprietary Fund (Water)
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 946
Accrued expenses	15,672
Deposits payable	33,049
Due to other fund	181,012
General obligation bonds - current portion	<u>40,955</u>
Total current liabilities	271,634
NONCURRENT LIABILITIES	
General obligation bonds payable (net of current portion)	<u>1,570,850</u>
Total liabilities	<u>1,842,484</u>
NET ASSETS	
Investment in capital assets, net of related debt	2,018,832
Unrestricted	<u>(1,254,444)</u>
Total net assets	<u>764,388</u>
Total liabilities and net assets	<u>\$ 2,606,872</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2012

	Proprietary Fund (Water)
OPERATING REVENUES	
Water sales	\$ 346,523
Tap, connection and other fees	<u>57,460</u>
Total operating revenues	<u>403,983</u>
OPERATING EXPENSES	
Bank fees	774
Clothing - uniforms	1,168
Depreciation and amortization	206,591
Dues and subscriptions	595
Equipment	175
Equipment repairs and maintenance	2,524
Meters	4,338
Professional fees	29,658
System repairs and maintenance	54,063
Telephone-communications	4,046
Travel and training	1,580
Utilities	16,875
Vehicle fuel	2,192
Vehicle maintenance and repair	446
Payments to General Fund:	
Salaries	146,199
Protection of water system	13,162
Indirect costs	<u>39,915</u>
Total operating expenses	<u>524,301</u>
Total operating loss	<u>(120,318)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest income	3,397
Interest expense	<u>(24,090)</u>
Total nonoperating revenue (expense)	<u>(20,693)</u>
Change in net assets	(141,011)
NET ASSETS	
Beginning	<u>905,399</u>
Ending	<u><u>\$ 764,388</u></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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Water sales	\$ 357,250	\$ 357,250	\$ 346,523	\$ (10,727)
Tap, connection and other fees	17,500	17,500	57,460	39,960
Total revenues	<u>374,750</u>	<u>374,750</u>	<u>403,983</u>	<u>29,233</u>
OPERATING EXPENSES				
Advertising	175	75	-	75
Bank fees	700	800	774	26
Clothing - uniforms	1,350	1,350	1,168	182
Depreciation and amortization	10,000	10,000	206,591	(196,591)
Dues and subscriptions	700	700	595	105
Equipment	3,750	3,150	175	2,975
Equipment rental	850	850	-	850
Equipment repairs and maintenance	2,000	3,500	2,524	976
Legal fees	-	-	29,142	(29,142)
Maintenance contracts	19,826	21,226	21,183	43
Meters	9,550	9,550	4,338	5,212
Professional fees	6,700	4,500	516	3,984
Publications	400	400	-	400
State fees	3,500	3,500	2,480	1,020
System repairs and maintenance	13,500	37,700	32,880	4,820
Telephone-communications	1,500	1,500	1,566	(66)
Temporary help	850	850	-	850
Travel and training	1,750	1,750	1,580	170
Utilities	16,000	16,000	16,875	(875)
Vehicle fuel	1,600	2,300	2,192	108
Vehicle maintenance and repair	600	600	446	154
Payments to General Fund for:				-
Salaries	143,372	143,372	146,199	(2,827)
Protection of water system	13,162	13,162	13,162	-
Indirect costs	39,915	39,915	39,915	-
Total operating expenses	<u>291,750</u>	<u>316,750</u>	<u>524,301</u>	<u>(207,551)</u>
Operating income (loss)	<u>83,000</u>	<u>58,000</u>	<u>(120,318)</u>	<u>(178,318)</u>
NONOPERATING REVENUE (EXPENSE)				
Interest income	5,000	5,000	3,397	(1,603)
Interest expense	-	-	(24,090)	(24,090)
Loan repayments	(88,000)	(88,000)	-	88,000
Total nonoperating revenue (expense)	<u>(83,000)</u>	<u>(83,000)</u>	<u>(20,693)</u>	<u>62,307</u>
Change in net assets	-	-	(141,011)	(116,011)
Prior year beginning fund balance	-	25,000	25,000	-
Net change after use of prior year fund balance	-	25,000	(116,011)	(116,011)
NET ASSETS				
Beginning	-	-	905,399	905,399
Ending	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 789,388</u>	<u>\$ 789,388</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2012

	Proprietary Fund (Water)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 405,657
Payments to employees	(143,373)
Payments to suppliers	<u>(204,520)</u>
Net cash provided by operating activities	<u>57,764</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from refinancing bond	29,469
General obligation bond payments:	
Principal	(20,452)
Interest	<u>(24,090)</u>
Net cash used in capital and related financing activities	<u>(15,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,910)
Interest income	<u>3,397</u>
Net cash used in investing activities	<u>487</u>
Net change in cash and cash equivalents	43,178
CASH AND CASH EQUIVALENTS	
Beginning	<u>184,592</u>
Ending	<u><u>\$ 227,770</u></u>
CASH AND CASH EQUIVALENTS CONSIST OF:	
Unrestricted cash	\$ 205,849
Restricted cash	<u>21,921</u>
Total cash	<u><u>\$ 227,770</u></u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2012

(Concluded)

	Proprietary Fund (Water)
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (120,318)
Reconciliation of operating loss to net cash provided by operating activities	
Depreciation and amortization	200,013
Deposits	2,416
Changes in assets and liabilities:	
Accounts receivable	1,664
Accrued expenses	2,826
Deferred bond costs	(22,590)
Accounts payable	<u>(6,247)</u>
Net cash provided by operating activities	<u>\$ 57,764</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

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

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, 2012

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 expenses from non-operating items. Operating revenues and expenses 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 expenses.

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, 2012

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 \$47,541 at June 30, 2012.

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, 2011, 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, 2012

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

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.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

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 \$1,021,915 difference are as follows:

Capital outlays	\$ 1,096,746
Depreciation expense	<u>(74,831)</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>\$ 1,021,915</u>
 Bond issuance costs	 \$ 19,587
Amortization expense	<u>(3,560)</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>\$ 16,027</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 \$1,376,405 and the bank balance was \$1,437,898. 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, 2012

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, 2012.

Investments

At June 30, 2012, the Town's investment balance consists of the following:

General Fund

Certificates of deposit	\$ 484,694
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Business-type Funds

Certificates of deposit	\$ 262,265
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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	\$ 7,382
Traffic fines	7,795
Total	<u>\$ 15,177</u>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

NOTE 7. CAPITAL ASSETS

Capital asset activity at year-end was as follows:

Governmental activities:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 346,618	\$ 1,011,500	\$ -	\$ 1,358,118
Capital assets being depreciated:				
Buildings and improvements	680,301	2,952	-	683,253
Infrastructure	212,936	-	-	212,936
Vehicles and equipment	507,662	47,295	-	554,957
Software	45,860	-	-	45,860
Total capital assets being depreciated	1,446,759	50,247	-	1,497,006
Less accumulated depreciation for:				
Buildings and improvements	305,782	16,647	-	322,429
Infrastructure	59,960	9,896	-	69,856
Vehicles and equipment	382,780	48,289	-	431,069
Software	38,741	3,560	-	42,301
Total accumulated depreciation	787,263	78,392	-	865,655
Total capital assets being depreciated, net	659,496	(28,145)	-	631,351
Capital assets, net	\$ 1,006,114	\$ 983,355	\$ -	\$ 1,989,469

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

General government	\$ 17,234
Public safety	35,509
Public works	22,649
Total depreciation expense	\$ 78,392

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

NOTE 7. CAPITAL ASSETS (Concluded)

Business-type activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 40,211	\$ -	\$ -	\$ 40,211
Construction in process	868,990	-	868,990	-
Total capital assets not being depreciated	<u>909,201</u>	<u>-</u>	<u>868,990</u>	<u>40,211</u>
Capital assets being depreciated:				
Structures and improvements	1,495,864	868,990	-	2,364,854
Water mains	1,590,012	-	-	1,590,012
Meters and equipment	479,380	-	-	479,380
Total capital assets being depreciated	<u>3,565,256</u>	<u>868,990</u>	<u>-</u>	<u>4,434,246</u>
Less accumulated depreciation for:				
Structures and improvements	687,991	74,656	-	762,647
Water mains	1,222,536	82,153	-	1,304,689
Meters and equipment	344,197	43,203	-	387,400
Total accumulated depreciation	<u>2,254,724</u>	<u>200,012</u>	<u>-</u>	<u>2,454,736</u>
Total capital assets being depreciated, net	<u>1,310,532</u>	<u>668,978</u>	<u>-</u>	<u>1,979,510</u>
Capital assets, net	<u>\$ 2,219,733</u>	<u>\$ 668,977</u>	<u>\$ 868,990</u>	<u>\$ 2,019,721</u>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

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.

\$ 520,284

Due within one year

100,906

Due in more than one year

\$ 419,378

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>
2013	\$ 100,906	\$ 15,972
2014	102,455	12,874
2015	104,028	9,728
2016	105,624	6,536
2017	<u>107,271</u>	<u>3,292</u>
	<u>\$ 520,284</u>	<u>\$ 48,402</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.

\$ 774,742

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.

837,063

Total debt

1,611,805

Due within one year

40,955

Due in more than one year

\$ 1,570,850

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

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>
2013	\$ 40,955	\$ 51,903
2014	40,831	49,512
2015	40,697	48,228
2016	40,553	46,947
2017	40,399	45,669
2018 – 2022	262,798	206,046
2023 – 2027	307,033	162,031
2028 – 2032	357,779	110,721
2033 – 2037	131,472	67,878
2038 – 2042	154,637	44,743
2043 – 2047	181,882	17,498
2048	12,769	107
	<u>\$ 1,611,805</u>	<u>\$ 851,283</u>

The following is a summary of changes in the Town's long-term debt obligations for the fiscal year ended June 30, 2011:

Business-type activities:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
General obligation debt	<u>\$ 1,602,788</u>	<u>\$ 774,742</u>	<u>\$ 765,725</u>	<u>\$ 1,611,805</u>

NOTE 9. SURETY BONDS OF PRINCIPAL OFFICIALS

The Town maintained the following surety bond coverage as of June 30, 2012:

Selective Insurance Company – Surety bond

Town Manager – blanket bond	\$ 50,000
Town Clerk – blanket bond	\$ 50,000

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. 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 that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the website <http://www.varetire.org/Publications/Index.asp> or obtained by writing the System 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% of their annual salary to the VRS. The Town may assume this 5% 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, 2011, was 7.72% of annual covered payroll.

Annual Pension Cost,

For fiscal year ended June 30, 2012, the Town's annual pension cost of \$48,739 was equal to the Town's required and annual contributions. The required contributions were determined as part of the June 30, 2012, 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.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

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
6/30/2011	\$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%
6/30/2007	\$143,771	\$211,421	\$67,650	68.00%	\$410,282	16.49%

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:

2013	\$18,000
2014	18,000
2015	18,000
2016	16,500

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2012

NOTE 14. GENERAL FUND REIMBURSEMENTS

Within the revenue from local sources, the General Fund includes reimbursements from the Water Fund in the amount of \$199,276. 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 expenses that were paid by the General Fund on behalf of the other fund:

Water Fund:

Payroll	\$	146,199
Protection of the water system		13,162
Overtime		300
Equipment		1,110
Equipment rental		1,800
Information technology		13,320
Maintenance contracts		1,650
Postal services		1,860
Professional services		5,400
Supplies		2,985
Telephone		1,950
Travel and training		2,775
Vehicle allowance		1,440
Repair and maintenance		2,625
Utilities		2,700
		<hr/>
	\$	<u>199,276</u>

These costs are reflected as reimbursements from the Water Fund in the General Fund revenues and the costs included within the related expense categories of the General Fund, to comply with the budget that was adopted for the 2011-2012 year. In the Water Fund, they are reflected as payments to the General Fund within the expenditures and not allocated to the various expense categories.

NOTE 15. SUBSEQUENT EVENT

Management has evaluated subsequent events through December 5, 2012, the date on which financial statements were available to be issued.

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2012

	<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	\$ 189,000	\$ 189,000	\$ 191,157	\$ 2,157
Delinquent real estate tax	700	700	3,021	2,321
Current mobile home tax	4,000	4,000	4,701	701
Delinquent mobile home tax	450	450	864	414
Current personal property tax	58,000	58,000	61,645	3,645
Delinquent personal property tax	2,000	2,000	3,480	1,480
Personal property tax relief	19,525	19,525	19,527	2
Public Service Corporation tax	8,800	8,800	8,985	185
Penalties and interest on delinquent taxes	<u>4,000</u>	<u>4,000</u>	<u>3,598</u>	<u>(402)</u>
Total general property taxes	<u>286,475</u>	<u>286,475</u>	<u>296,978</u>	<u>10,503</u>
Other local taxes:				
Bank franchise tax	110,000	110,000	122,653	12,653
Communication/Cable franchise tax	65,000	65,000	68,132	3,132
Cigarette tax	45,000	45,000	58,650	13,650
Local sales tax	70,000	70,000	89,171	19,171
Meals tax	185,000	185,000	206,461	21,461
Consumer utility tax	<u>84,000</u>	<u>84,000</u>	<u>90,701</u>	<u>6,701</u>
Total other local taxes	<u>559,000</u>	<u>559,000</u>	<u>635,768</u>	<u>76,768</u>
Revenue from other sources:				
Licenses:				
Merchants & other licenses	100,000	100,000	117,343	17,343
Motor vehicle licenses	<u>41,000</u>	<u>41,000</u>	<u>42,269</u>	<u>1,269</u>
Total licenses	141,000	141,000	159,612	18,612
Post office rental	18,000	18,000	18,000	-
Traffic fines	<u>75,000</u>	<u>75,000</u>	<u>132,650</u>	<u>57,650</u>
Total revenue from other sources	<u>234,000</u>	<u>234,000</u>	<u>310,262</u>	<u>76,262</u>
Miscellaneous revenues:				
Administrative collection fee	8,000	8,000	6,144	(1,856)
Cemetery plot sales	1,000	1,000	600	(400)
Credit card convenience fee	325	325	386	61
DMV fees	-	-	2,180	2,180
Donations	-	1,850	1,850	-
Other miscellaneous revenue	4,000	4,000	5,137	1,137
Zoning fees	1,500	1,500	1,875	375
Interest earned	<u>13,500</u>	<u>13,500</u>	<u>24,746</u>	<u>11,246</u>
Total miscellaneous revenue	<u>28,325</u>	<u>30,175</u>	<u>42,918</u>	<u>12,743</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2012

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
Reimbursements from water fund	53,077	53,077	53,077	-
Total revenue from local sources	1,160,877	1,162,727	1,339,003	176,276
REVENUE FROM FEDERAL GOVERNMENT				
COPS grant	58,569	58,888	42,993	(15,895)
Community development block grant	-	-	114	114
Total revenue from the Federal Government	58,569	58,888	43,107	(15,781)
REVENUE FROM COMMONWEALTH OF VIRGINIA				
Categorical aid:				
Litter control	1,200	1,200	833	(367)
Fire program funds	7,200	7,200	8,000	-
Six-Year Improvement Fund	205,000	205,000	-	(205,000)
Total categorical aid	213,400	213,400	8,833	(205,367)
Noncategorical aid:				
Mobile home titling taxes	3,500	3,500	4,526	1,026
Police 599 funding	57,289	57,289	57,288	(1)
DCJS grant - technology	-	17,917	17,917	-
DCJS grant - safety equipment	-	22,909	22,909	-
DMV grant	-	10,256	10,256	-
USDJ bullet proof vests	-	3,150	-	(3,150)
VML safety grant	-	2,000	-	(2,000)
Total non-categorical aid	60,789	117,021	112,896	(4,125)
Total revenue from the Commonwealth of Virginia	274,189	330,421	121,729	(209,492)
OTHER FINANCING SOURCES				
Bond proceeds	-	-	520,284	520,284
Total revenues	1,493,635	1,552,036	2,024,123	471,287
Prior year fund balance	-	575,765	-	(575,765)
Transfers from reserves (restricted cash)	-	458,103	-	(458,103)
	<u>\$ 1,493,635</u>	<u>\$ 2,585,904</u>	<u>\$ 2,024,123</u>	<u>\$ (562,581)</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
GENERAL GOVERNMENT				
ADMINISTRATION				
Legislative				
Mayor and Council compensation	\$ 9,000	\$ 9,000	\$ 7,800	\$ 1,200
Advertising	1,650	1,650	851	799
Audit	15,000	15,000	14,500	500
Election expense	2,800	2,800	2,047	753
Special meetings	500	500	491	9
Travel and training	6,800	6,800	5,402	1,398
Total legislative expenses	<u>35,750</u>	<u>35,750</u>	<u>31,091</u>	<u>4,659</u>
Legal				
Legal services	35,500	35,500	53,159	(17,659)
Dues and subscriptions	350	350	220	130
Publications	300	300	155	145
Supplies	100	100	-	100
Travel and training	500	500	-	500
Total legal expenses	<u>36,750</u>	<u>36,750</u>	<u>53,534</u>	<u>(16,784)</u>
General Management				
Salaries and wages	92,201	92,201	95,591	(3,390)
Overtime	1,000	1,000	-	1,000
Non-compensation expenses:				
FICA	7,130	7,130	6,136	994
Health Insurance	17,280	17,280	16,776	504
Retirement	12,483	12,483	12,438	45
Life Insurance	1,860	1,860	1,743	117
Advertising	500	500	-	500
Bank fees	1,350	1,350	682	668
Dues and subscriptions	3,600	3,600	2,898	702
Education - Town Manager	4,400	4,400	3,727	673
Equipment	4,000	4,000	2,499	1,501
Equipment rental	6,000	6,000	5,164	836
Information technology	44,500	44,500	44,058	442
Maintenance contracts	5,500	5,500	4,451	1,049
Postal services	6,500	6,500	6,492	8
Professional services	18,000	15,000	6,848	8,152
Publications	4,000	4,000	2,472	1,528
Supplies	10,250	10,250	8,624	1,626
Telephone-communications	7,000	7,000	6,884	116
Travel and training	9,250	9,250	6,306	2,944
Vehicle allowance	4,800	4,800	4,800	-
Total general management	<u>261,604</u>	<u>258,604</u>	<u>238,589</u>	<u>20,015</u>
Total General Government Administration	<u>334,104</u>	<u>331,104</u>	<u>323,214</u>	<u>7,890</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 206,060	\$ 206,060	\$ 210,028	\$ (3,968)
Special grant funded position	58,660	58,660	46,903	11,757
Overtime	25,000	20,750	15,651	5,099
Non-compensation expenses:				
FICA	17,690	17,690	15,461	2,229
Health insurance	41,790	43,690	43,624	66
Retirement	26,215	26,215	26,156	59
Life insurance	580	580	576	4
Advertising	500	500	241	259
Community relations	600	2,450	2,180	270
Dues and subscriptions	1,250	1,250	1,157	93
Equipment	7,200	9,700	9,207	493
Grant and asset forfeiture expense	-	51,529	51,529	-
DMV grant disbursements	-	10,575	7,606	2,969
USDJ bullet proof vests	-	3,150	3,150	-
VML safety grant	-	2,000	1,700	300
Information technology	1,800	1,800	1,516	284
Investigations	400	400	40	360
Supplies	1,250	2,000	1,948	52
Telephone-communications	8,000	8,000	8,386	(386)
Travel and training	7,000	7,000	6,996	4
Vehicle fuel	24,500	30,500	28,768	1,732
Vehicle repairs and maintenance	11,500	12,500	10,743	1,757
Total police	<u>439,995</u>	<u>516,999</u>	<u>493,566</u>	<u>23,433</u>
Fire Department				
Contribution	20,000	20,000	20,000	-
Grant	<u>7,200</u>	<u>7,200</u>	<u>8,000</u>	<u>(800)</u>
Total fire department	<u>27,200</u>	<u>27,200</u>	<u>28,000</u>	<u>(800)</u>
Rescue Squad				
Contribution	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total public safety	<u>479,195</u>	<u>556,199</u>	<u>533,566</u>	<u>22,633</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2012

(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	\$ 37,260	\$ 37,260	\$ 38,469	\$ (1,209)
Overtime	2,000	2,000	-	2,000
Part-time temporary	2,000	2,000	2,238	(238)
Non-compensation expenses:				
FICA	3,005	3,005	2,355	650
Health insurance	8,180	8,180	8,172	8
Retirement	4,740	4,740	4,739	1
Life insurance	110	110	104	6
Building repairs and maintenance	9,000	9,000	6,749	2,251
Clothing - uniforms	1,400	1,400	1,167	233
Equipment	4,000	4,000	2,110	1,890
Equipment rental	1,000	500	-	500
Equipment repairs and maintenance	3,000	3,000	2,716	284
Rental property repairs and maintenance	2,500	3,000	2,960	40
Street and sidewalk maintenance	10,000	10,000	5,778	4,222
Street light utilities	34,312	31,312	30,810	502
Utilities	9,000	8,700	7,501	1,199
Vehicle fuel	3,500	3,800	3,899	(99)
Vehicle repairs and maintenance	1,500	1,500	437	1,063
Total public works and property maintenance	<u>136,507</u>	<u>133,507</u>	<u>120,204</u>	<u>13,303</u>
Refuse collection				
Residential collection	71,500	71,500	69,108	2,392
Seasonal clean-ups	<u>4,500</u>	<u>4,500</u>	<u>2,362</u>	<u>2,138</u>
Total refuse collection	<u>76,000</u>	<u>76,000</u>	<u>71,470</u>	<u>4,530</u>
Total public works	<u>212,507</u>	<u>209,507</u>	<u>191,674</u>	<u>17,833</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2012

(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	\$ 42,500	\$ 42,500	\$ 43,081	\$ (581)
Compensation - Planning Commission	2,200	2,200	2,200	-
Non-compensation expense:				
FICA	3,255	3,255	2,851	404
Health insurance	9,094	9,094	9,094	-
Retirement	5,410	5,410	5,406	4
Life insurance	120	120	119	1
Advertising	1,200	1,200	499	701
Dues and subscriptions	600	700	618	82
Professional services	4,000	2,900	2,845	55
Publications	100	100		
Supplies	350	850	402	448
Telephone-communications	900	900	628	272
Travel and training	3,000	3,500	3,159	341
Vehicle fuel	400	400	354	46
Vehicle repairs and maintenance	800	800	181	619
Total planning and community development	<u>73,929</u>	<u>73,929</u>	<u>71,437</u>	<u>2,392</u>
Cultural events				
4th of July Celebration	3,000	3,000	1,950	1,050
Christmas Holidays	1,000	1,000	168	832
Other events	<u>5,000</u>	<u>3,100</u>	<u>-</u>	<u>3,100</u>
Total cultural events	<u>9,000</u>	<u>7,100</u>	<u>2,118</u>	<u>4,982</u>
Economic development				
Business appreciation	1,200	1,965	1,517	448
Chamber of Commerce:				
Dues and subscriptions	3,500	3,500	3,500	-
Activities	1,000	1,000	557	443
Other economic development activities	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total economic development	<u>10,700</u>	<u>11,465</u>	<u>10,574</u>	<u>891</u>
Total community development	<u>93,629</u>	<u>92,494</u>	<u>84,129</u>	<u>8,265</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2012

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
CAPITAL OUTLAY				
Police car	\$ 38,000	\$ 38,000	\$ 37,762	\$ 238
Information technology upgrades	10,000	10,000	9,533	467
Sidewalks - SYIP funds	205,000	205,000	-	205,000
Space needs - land	-	996,500	1,011,500	(15,000)
Space needs - building	50,000	50,000	35,000	15,000
Space needs - property survey	-	-	2,952	(2,952)
Total capital outlay	<u>303,000</u>	<u>1,299,500</u>	<u>1,096,747</u>	<u>202,753</u>
NON-DEPARTMENTAL				
Contingency	4,000	4,000	2,253	1,747
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	25,000	23,982	1,018
Storm related costs	-	17,500	16,959	541
Payments to other governments	<u>30,000</u>	<u>38,400</u>	<u>31,234</u>	<u>7,166</u>
Total non-departmental	<u>71,200</u>	<u>97,100</u>	<u>76,628</u>	<u>20,472</u>
Total expenditures	<u>\$ 1,493,635</u>	<u>\$ 2,585,904</u>	<u>\$ 2,305,958</u>	<u>\$ 279,846</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Computation of Legal Debt Margin
Year Ended June 30, 2012

Total assessed value of taxed real property	<u>\$ 206,331,594</u>
Legal debt limit:	
10 percent of total assessed value of taxable property	20,633,159
Less:	
General obligation bonds outstanding	<u>2,132,089</u>
Legal debt margin	<u>\$ 18,501,070</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 Five 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

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
2003	115,219	456,728	94,255	15,995	682,197
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

TOWN OF WINDSOR, VIRGINIA
Government-wide Expenditures by Function
Last Five Fiscal 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

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

Fiscal Year Ended June 30	General Adminis- tration	Public Safety	Public Works	Community Development	Capital Outlay	Non- departmental	Total
2003	244,196	94,018	81,314	31,890	91,228	-	542,646
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

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
2003	85,983,500	18,509,126	4,175,273	545,977	109,213,876
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

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
2003	0.08	0.50	0.10	0.08
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

NOTE: Per \$100 of assessed value.

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2003	107,013	103,329	96.56%	11,890	115,219	107.67%	14,153	13.23%
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%



Diane Y. Smith, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS

**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 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, 2012, which collectively comprise Town of Windsor, Virginia's basic financial statements and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: 2010-1 Financial Statements.

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.

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.

This report is intended solely for the information and use of the Town Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Diane Y. Smith, CPA, PC

December 5, 2012

TOWN OF WINDSOR, VIRGINIA
Schedule of Findings
June 30, 2012

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.