

# *Town of Windsor, Virginia*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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# TABLE OF CONTENTS

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i
List of Elected and Appointed Officials	ii
Management's Discussion and Analysis	iii
<b>FINANCIAL SECTION</b>	
INDEPENDENT AUDITORS' REPORT	1 – 2
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	3
Statement of Activities	4
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	5
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund	9
Statement of Net Assets – Proprietary Fund	10 – 11
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	12
Statement of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual – Proprietary (Water) Fund	13

(Continued)

## TABLE OF CONTENTS (Concluded)

	Page
Statement of Cash Flows – Proprietary Fund	15 – 16
Notes to Financial Statements	17 – 27
<b>INDIVIDUAL STATEMENTS</b>	
Schedule of Revenues – Budget and Actual – General Fund	28 – 29
Schedule of Expenditures – Budget and Actual – General Fund	30 – 34
Computation of Legal Debt Margin	35
<b>STATISTICAL SECTION</b>	
Government-wide Revenues by Source	36
General Government Revenues by Source	37
Government-wide Expenditures by Function	38
General Government Expenditures by Function	39
Assessed Value of Taxable Property	40
Property Tax Rates	41
Property Tax Levies and Collections	42
<b>COMPLIANCE SECTION</b>	
Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs	44
Summary of Compliance Matters	45
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	46 – 47
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	48 – 49

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# **TOWN OF WINDSOR, VIRGINIA**

## **Mayor**

Carita J. Richardson

## **Vice Mayor**

Wesley F. Garris

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## **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**

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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, 2011. Please read it in conjunction with the Town's financial statements following this section.

### **Financial Highlights**

The following are a few financial highlights for the fiscal year ending June 30, 2011:

- General Fund revenues were \$25,958 less than originally anticipated by Town Council for the 2010-2011 operating budget. (this includes the fund balance appropriation that are not shown in the statements)
- General Fund expenditures were \$270,949 less than appropriated by Town Council for the 2010-2011 operating budget.
- 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.
- General Fund revenues were less than anticipated and expenditures were less than budgeted; thus, the net outcome was that revenues exceeded expenditures by \$244,991.
- The Fund Balance of the Governmental Funds grew from a beginning balance of \$1,808,169 to an ending balance of \$2,153,160.

### **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

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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 and Cemetery 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.

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 and Cemetery Funds. These funds have been included in the government-wide financial statements.

The reader can find the basic proprietary fund financial statements on pages 10 through 16 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 17 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$2,145,434	\$1,777,120	\$ 339,126	\$ 498,039	\$ 2,484,560	\$2,275,159
Capital Assets	1,006,114	994,414	2,219,733	2,346,337	3,225,847	3,340,751
<b>Total Assets</b>	<b>\$3,151,548</b>	<b>\$2,771,534</b>	<b>\$2,558,859</b>	<b>\$ 2,844,376</b>	<b>\$ 5,710,407</b>	<b>\$5,615,910</b>
Long-Term Liabilities	\$ -	\$ -	\$1,602,788	\$ 1,629,540	\$ 1,602,788	\$1,629,540
Other Liabilities	92,274	95,859	50,672	58,651	142,946	154,510
<b>Total Liabilities</b>	<b>\$ 92,274</b>	<b>\$ 95,859</b>	<b>\$1,653,460</b>	<b>\$ 1,688,191</b>	<b>\$ 1,745,734</b>	<b>\$1,784,050</b>
Invested in Capital Assets, net of Related Debt	\$1,006,114	\$ 994,414	\$2,219,733	\$2,346,337	\$3,225,847	\$3,340,751
Unrestricted	2,053,160	1,681,261	(1,314,334)	(1,190,152)	738,826	491,109
<b>Total Net Assets</b>	<b>\$3,059,274</b>	<b>\$2,675,675</b>	<b>\$ 905,399</b>	<b>\$1,156,185</b>	<b>\$3,964,673</b>	<b>\$3,831,860</b>

By far, the largest portion of the Town of Windsor's net assets, 56%, reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, vehicles and equipment and software).

## Management's Discussion and Analysis

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### 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	
<b>REVENUES</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Program Services:</b>						
Charges for services	\$ 347,254	\$ 362,126	\$ 393,283	\$ 379,458	\$ 740,537	\$ 741,584
Operating grants	94,788	89,068	-	-	94,788	89,068
<b>General Revenues:</b>						
Property taxes	294,556	308,117	-	-	294,556	308,117
Other taxes	726,887	716,194	-	-	726,887	716,194
Interest	5,150	35,389	3,291	7,691	8,441	43,080
<b>Total Revenues</b>	<b>\$1,468,635</b>	<b>\$1,510,894</b>	<b>\$ 396,574</b>	<b>\$ 387,149</b>	<b>\$1,865,209</b>	<b>\$1,898,043</b>

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

	Governmental Activities		Business-Type Activities		Total	
<b>EXPENSES</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
General government	\$ 386,726	\$ 364,374	\$ -	\$ -	\$ 386,726	\$ 367,516
Public safety	360,756	435,309	-	-	360,756	432,436
Public works	236,531	223,313	-	-	236,531	217,645
Community development	76,110	72,097	-	-	76,110	72,097
Capital outlay	76,397	92,137	-	-	76,397	97,536
Non-departmental	75,424	74,130	-	-	75,424	74,130
Water services	-	-	520,452	499,608	520,452	499,608
<b>Total Expenses</b>	<b>\$1,211,944</b>	<b>\$1,261,360</b>	<b>\$ 520,452</b>	<b>\$ 499,608</b>	<b>\$1,732,396</b>	<b>\$1,768,059</b>



### **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 less than anticipated, and expenditures were less than budgeted. The net outcome was that revenues exceeded expenditures by \$240,691. As stated earlier, the Fund Balance of the General Fund grew during the fiscal year that ended on June 30, 2011; its ending balance was \$1,634,108. In summary, the General Fund remained strong during the fiscal year ending on June 30, 2011.

The Water Fund's revenues did not meet the 2010-2011 expectations by \$84,775. This is due to the fact that the Town does not fully fund the depreciation expense in its Water Fund budget. However, it is important to note that Water Fund revenues were sufficient to cover operating expenses and to partially fund depreciation for the fiscal year ending June 30, 2011.

### **Economic Factors**

Despite the recession that existed throughout the fiscal year ending June 30, 2011, the Town's revenues remained strong, with the exception of revenues from the local sales tax. The reduction in sales tax revenue is a result of a nation-wide overall reduction in retail spending for the fiscal year ending June 30, 2011. The Town receives the bulk of its revenues from sales tax, meals tax, cigarette tax, and traffic fines. Although the combination of these sources of revenue provides the Town more revenue than real estate and personal property taxes, they are economy driven. If there is a further downturn in the economy, then they can shrink. In this regard, the Town needs to diversify its tax base with additional commercial and industrial developments.

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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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The Honorable Members of Town Council  
Town of Windsor, Virginia

We have audited the accompanying 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, 2011, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, each major fund, and the aggregate remaining fund information of the Town of Windsor, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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, November 21, 2011, 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, budgetary comparison information on pages 9 and 13, and 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal awards 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 do not express an opinion or provide any assurance on them.

November 21, 2011

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF WINDSOR, VIRGINIA**  
Statement of Net Assets  
June 30, 2011

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents			
Unrestricted	\$ 770,854	\$ 162,715	\$ 933,569
Restricted	559,897	21,877	581,774
Receivables			
Taxes (net of allowance for uncollectibles)	150,670	-	150,670
Other receivables	-	55,258	55,258
Prepaid expenses	3,804	-	3,804
Due from other governmental units	12,048	-	12,048
Internal balances	181,012	(181,012)	-
Investments	467,149	259,355	726,504
Capital assets (net of accumulated depreciation)	659,496	1,310,532	1,970,028
Capital assets (not being depreciated)	346,618	909,201	1,255,819
Deferred bond cost (net of accumulated amortization)	-	20,933	20,933
	<u>-</u>	<u>20,933</u>	<u>20,933</u>
Total assets	<u>\$ 3,151,548</u>	<u>\$ 2,558,859</u>	<u>\$ 5,710,407</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 33,696	\$ 7,193	\$ 40,889
Accrued expenses	58,578	12,846	71,424
Deposits payable	-	30,633	30,633
Bonds payable			
Due within one year	-	23,486	23,486
Due in more than one year	-	1,579,302	1,579,302
	<u>-</u>	<u>1,579,302</u>	<u>1,579,302</u>
Total liabilities	<u>92,274</u>	<u>1,653,460</u>	<u>1,745,734</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,006,114	2,219,733	3,225,847
Unrestricted	2,053,160	(1,314,334)	738,826
	<u>3,059,274</u>	<u>905,399</u>	<u>3,964,673</u>
Total net assets	<u>3,059,274</u>	<u>905,399</u>	<u>3,964,673</u>
Total liabilities and net assets	<u>\$ 3,151,548</u>	<u>\$ 2,558,859</u>	<u>\$ 5,710,407</u>

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Statement of Activities  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activity	Business-type Activity	
<b>Primary government:</b>						
General government						
General government administration	\$ 386,726	\$ 267,979	\$ 1,375	\$ (117,372)	\$ -	\$ (117,372)
Public safety	360,756	76,275	93,413	(191,068)	-	(191,068)
Public works	236,531	3,000	-	(233,531)	-	(233,531)
Community development	76,110	-	-	(76,110)	-	(76,110)
Capital outlay	76,397	-	-	(76,397)	-	(76,397)
Nondepartmental	75,424	-	-	(75,424)	-	(75,424)
Total governmental activities	1,211,944	347,254	94,788	(769,902)	-	(769,902)
<b>Business-type activities:</b>						
Water services	520,452	393,283	-	-	(127,169)	(127,169)
Total business-type activities	520,452	393,283	-	-	(127,169)	(127,169)
Total primary government	\$ 1,732,396	\$ 740,537	\$ 94,788	(769,902)	(127,169)	(897,071)
General Revenues:						
Real estate and personal property taxes				294,556	-	294,556
Local sales and use taxes				72,811	-	72,811
Consumers' utility taxes				93,561	-	93,561
Merchants & other licenses				111,450	-	111,450
Bank franchise taxes				113,249	-	113,249
Communication taxes				69,543	-	69,543
Meals taxes				194,610	-	194,610
Other local revenue				71,663	-	71,663
Investment earnings				5,150	3,291	8,441
Total general revenues				1,026,593	3,291	1,029,884
Change in net assets				256,691	(123,878)	132,813
<b>NET ASSETS</b>						
Beginning				2,802,583	1,029,277	3,831,860
Ending				\$ 3,059,274	\$ 905,399	\$ 3,964,673

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See accompanying notes.

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**FUND FINANCIAL STATEMENTS**



**TOWN OF WINDSOR, VIRGINIA****Balance Sheet  
Governmental Funds  
June 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents			
Unrestricted	\$ 770,854	\$ -	\$ 770,854
Restricted	512,520	47,377	559,897
Receivables			
Taxes (net of allowances for uncollectibles)	150,670	-	150,670
Due from other governmental units	12,048	-	12,048
Due from other funds	181,012	-	181,012
Investments	467,149	-	467,149
Prepaid expenses	<u>3,804</u>	<u>-</u>	<u>3,804</u>
Total assets	<u>\$ 2,098,057</u>	<u>\$ 47,377</u>	<u>\$ 2,145,434</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 33,696	\$ -	\$ 33,696
Accrued expenses	<u>58,578</u>	<u>-</u>	<u>58,578</u>
Total liabilities	92,274	-	92,274
<b>FUND BALANCES</b>			
Unrestricted	<u>2,005,783</u>	<u>47,377</u>	<u>2,053,160</u>
Total liabilities and fund balances	<u>\$ 2,098,057</u>	<u>\$ 47,377</u>	<u>\$ 2,145,434</u>

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See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011

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

Total governmental fund balances	\$ 2,145,434
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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 fund.	<u>1,006,114</u>
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Net assets of governmental activities	<u>\$ 3,151,548</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, 2011**

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
General property taxes	\$ 294,556	\$ -	\$ 294,556
Other local taxes	598,974	-	598,974
Revenues from the Commonwealth	98,196	-	98,196
Revenue from the Federal Government	-	79,395	79,395
Revenue from other sources	248,676	-	248,676
Reimbursements from other funds	190,896	-	190,896
Miscellaneous revenue	<u>37,337</u>	<u>-</u>	<u>37,337</u>
Total revenues	<u>1,468,635</u>	<u>79,395</u>	<u>1,548,030</u>
<b>EXPENDITURES</b>			
General government administration	386,726	-	386,726
Public safety	440,151	-	440,151
Public works	236,531	-	236,531
Community development	76,110	-	76,110
Capital outlays	8,926	79,171	88,097
Non-departmental	<u>75,424</u>	<u>-</u>	<u>75,424</u>
Total expenditures	<u>1,223,868</u>	<u>79,171</u>	<u>1,303,039</u>
Excess of revenues over expenditures	244,767	224	244,991
<b>FUND BALANCES</b>			
Beginning	<u>1,761,016</u>	<u>47,153</u>	<u>1,808,169</u>
Ending	<u>\$ 2,005,783</u>	<u>\$ 47,377</u>	<u>\$ 2,053,160</u>

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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, 2011

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

Net change in fund balance - total governmental funds	\$ 244,991
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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. This is the amount by which depreciation exceeded capital outlays in the current period.

<u>11,700</u>
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Change in net assets of governmental activities	<u>\$ 256,691</u>
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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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
General property taxes	\$ 278,225	\$ 278,225	\$ 294,556	\$ 16,331
Other local taxes	542,000	542,000	598,974	56,974
Revenues from the Commonwealth	71,369	71,369	98,196	26,827
Revenue from the Federal Government	-	79,570	79,395	(175)
Licenses	136,000	136,000	154,347	18,347
Post office rental	16,500	16,500	18,054	1,554
Fines	75,000	75,000	76,275	1,275
Reimbursements from other funds	190,896	190,896	190,896	-
Miscellaneous revenue	34,500	184,428	37,337	(147,091)
Total revenues	<u>1,344,490</u>	<u>1,573,988</u>	<u>1,548,030</u>	<u>(25,958)</u>
<b>EXPENDITURES</b>				
General government administration	404,552	404,552	386,726	17,826
Public safety	425,830	447,006	440,151	6,855
Public works	280,809	278,131	236,531	41,600
Community development	89,499	89,499	76,110	13,389
Capital outlays	36,000	102,000	88,097	13,903
Space needs	20,000	165,000	-	165,000
Non-departmental	87,800	87,800	75,424	12,376
Total expenditures	<u>1,344,490</u>	<u>1,573,988</u>	<u>1,303,039</u>	<u>270,949</u>
Excess of revenues over expenditures	-	-	244,991	244,991
<b>FUND BALANCES</b>				
Beginning	<u>-</u>	<u>-</u>	<u>1,808,169</u>	<u>1,808,169</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,053,160</u>	<u>\$ 2,053,160</u>

DRAFT

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011

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	<b>Proprietary Fund (Water)</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	
Unrestricted	\$ 162,715
Restricted	21,877
Accounts receivable (net of allowances for uncollectibles)	55,258
Investments	<u>259,355</u>
Total current assets	<u>499,205</u>
<b>NONCURRENT ASSETS</b>	
Capital assets (net of accumulated depreciation)	1,310,532
Capital assets (not being depreciated)	909,201
Deferred bond costs (net of accumulated amortization)	<u>20,933</u>
Total noncurrent assets	<u>2,240,666</u>
Total assets	<u><u>\$ 2,739,871</u></u>

**DRAFT**

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011

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	<b>Proprietary Fund (Water)</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 7,193
Accrued expenses	12,846
Deposits payable	30,633
Due to other fund	181,012
General obligation bonds - current portion	<u>23,486</u>
Total current liabilities	255,170
<b>NONCURRENT LIABILITIES</b>	
General obligation bonds payable (net of current portion)	<u>1,579,302</u>
Total liabilities	<u>1,834,472</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	2,219,733
Unrestricted	<u>(1,314,334)</u>
Total net assets	<u>905,399</u>
Total liabilities and net assets	<u><u>\$ 2,739,871</u></u>

**DRAFT**

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
Year Ended June 30, 2011

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	Proprietary Fund (Water)
<b>OPERATING REVENUES</b>	
Water sales	\$ 352,296
Tap, connection and other fees	<u>40,987</u>
Total operating revenues	<u>393,283</u>
<b>OPERATING EXPENSES</b>	
Bank fees	692
Clothing - uniforms	1,213
Depreciation and amortization	189,330
Dues and subscriptions	554
Equipment	1,090
Equipment repairs and maintenance	2,565
Meters	10,928
Professional fees	3,173
System repairs and maintenance	31,436
State fees	2,793
Telephone-communications	1,454
Travel and training	1,837
Utilities	12,314
Vehicle fuel	2,159
Vehicle maintenance and repair	70
Payments to General Fund:	
Salaries	137,195
Protection of water system	13,162
Indirect costs	<u>41,732</u>
Total operating expenses	<u>453,697</u>
Total operating loss	<u>(60,414)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest income	3,291
Interest expense	<u>(66,755)</u>
Total nonoperating revenue (expense)	<u>(63,464)</u>
Change in net assets	(123,878)
<b>FUND NET ASSETS</b>	
Beginning	<u>1,029,277</u>
Ending	<u><u>\$ 905,399</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, 2011**

**DRAFT**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Water sales	\$ 355,000	\$ 355,000	\$ 352,296	\$ (2,704)
Tap, connection and other fees	17,500	17,500	40,987	23,487
Total revenues	372,500	372,500	393,283	20,783
<b>OPERATING EXPENSES</b>				
Advertising	175	175	-	175
Bank fees	700	700	692	8
Clothing - uniforms	1,700	1,700	1,213	487
Depreciation and amortization	10,000	10,000	189,330	(179,330)
Dues and subscriptions	500	650	554	96
Equipment	4,500	4,500	1,090	3,410
Equipment repairs and maintenance	3,000	3,000	2,565	435
Equipment rental	1,000	1,000	-	1,000
Meters	11,000	11,000	10,928	72
Professional fees	7,004	7,004	3,173	3,831
Publications	400	400	-	400
System repairs and maintenance	32,500	32,500	31,436	1,064
State fees	2,800	2,800	2,793	7
Telephone-communications	1,900	1,900	1,454	446
Temporary help	1,000	850	-	850
Travel and training	2,000	2,000	1,837	163
Utilities	17,500	17,500	12,314	5,186
Vehicle fuel	2,300	2,300	2,159	141
Vehicle maintenance and repair	800	800	70	730
Payments to General Fund for:				-
Salaries	136,002	136,002	137,195	(1,193)
Protection of water system	13,162	13,162	13,162	-
Indirect costs	41,732	41,732	41,732	-
Total operating expenses	291,675	291,675	453,697	(162,022)
Operating income (loss)	80,825	80,825	(60,414)	(141,239)
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest income	7,175	7,175	3,291	(3,884)
Interest expense	(47,862)	-	(66,755)	(66,755)
USDA loan payment	(40,138)	(88,000)	-	88,000
Total nonoperating revenue (expense)	(80,825)	(80,825)	(63,464)	17,361
Change in net assets	-	-	(123,878)	(123,878)
<b>FUND NET ASSETS</b>				
Beginning	-	-	1,029,277	1,029,277
Ending	\$ -	\$ -	\$ 905,399	\$ 905,399

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2011

**DRAFT**

	<b>Proprietary Fund (Water)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 389,685
Payments to employees	(136,002)
Payments to suppliers	(122,959)
	<u>130,724</u>
Net cash provided by operating activities	<u>130,724</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
General obligation bond payments:	
Principal	(40,137)
Interest	(66,755)
Proceeds	92,281
Purchases of fixed assets	(68,408)
	<u>(83,019)</u>
Net cash provided by capital and related financing activities	<u>(83,019)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(150,177)
Interest income	3,291
	<u>(146,886)</u>
Net cash provided by investing activities	<u>(146,886)</u>
Net change in cash and cash equivalents	(99,181)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning	<u>283,773</u>
Ending	<u>\$ 184,592</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>	
Unrestricted cash	\$ 162,715
Restricted cash	<u>21,877</u>
Total cash	<u>\$ 184,592</u>

(Continued)

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2011

**DRAFT**

(Concluded)

	<u>Proprietary Fund (Water)</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (60,414)
Reconciliation of operating loss to net cash provided by operating activities	
Depreciation and amortization	188,749
Deposits	201
Changes in assets and liabilities:	
Accounts receivable	(3,598)
Accrued expenses	1,193
Deferred bond costs	581
Accounts payable	<u>4,012</u>
Net cash provided by operating activities	<u>\$ 130,724</u>

See accompanying notes.

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2011

**DRAFT**

### 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 funds. The major individual governmental funds and major individual proprietary funds 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, 2010

**DRAFT**

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

Property taxes, sales and use taxes, other local taxes, shared expenses 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.

The government reports only one major Governmental Fund – the General 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 government reports one Proprietary Fund – the Water Fund. The Water Fund accounts for the operation of water services for the Town. The government also reports one Similar (Trust) Fund – the Cemetery Fund. The Cemetery Fund accounts for the sale of cemetery plots for the Town.

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.

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 and the Similar (Trust) Fund distinguish 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. The principal operating revenue of the Cemetery Fund is the sale of cemetery plots. Operating expenses for the Cemetery Fund include the cost of sales and maintenance expenses. 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.

(Continued)

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2010

DRAFT

### 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 \$55,494 at June 30, 2011.

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, 2010, 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, 2011

**DRAFT**

**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 term of the related debt.

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."

*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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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 \$12,294 difference are as follows:

Capital outlays	\$ 82,272
Depreciation expense	<u>(76,936)</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>\$ 11,700</u>

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2011

**DRAFT**

### 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, Water and Cemetery Funds. Annual operating budgets are adopted by ordinances and resolutions passed by the Town Council for those funds. Special revenue funds do not have an annual operating budget adopted by Town Council. 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 \$2,241,697 and the bank balance was \$2,255,908. The bank balance was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

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, 2011.

#### *Investments*

At June 30, 2011, the Town's investment balance consists of the following:

#### General Fund

Certificates of deposit	\$ 467,149
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#### Business-type Funds

Certificates of deposit	\$ 259,355
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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>



**TOWN OF WINDSOR, VIRGINIA**

## Notes to Financial Statements

June 30, 2011

**DRAFT****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	\$	6,157
Traffic fines		<u>5,891</u>
Total	\$	<u><u>12,048</u></u>

**NOTE 7. CAPITAL ASSETS**

Capital asset activity at year-end was as follows:

Governmental activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 340,355	\$ 6,263	\$ -	\$ 346,618
Capital assets being depreciated:				
Buildings and improvements	680,301	-	-	680,301
Infrastructure	131,103	81,833	-	212,936
Vehicles and equipment	507,662	-	-	507,662
Software	<u>45,860</u>	<u>-</u>	<u>-</u>	<u>45,860</u>
Total capital assets being depreciated	<u>1,364,926</u>	<u>81,833</u>	<u>-</u>	<u>1,446,759</u>
Less accumulated depreciation for:				
Buildings and improvements	289,135	16,647	-	305,782
Infrastructure	52,519	7,441	-	59,960
Vehicles and equipment	334,032	48,748	-	382,780
Software	<u>35,181</u>	<u>3,560</u>	<u>-</u>	<u>38,741</u>
Total accumulated depreciation	<u>710,867</u>	<u>76,396</u>	<u>-</u>	<u>787,263</u>
Total capital assets being depreciated, net	<u>654,059</u>	<u>5,438</u>	<u>-</u>	<u>659,496</u>
Capital assets, net	<u>\$ 994,414</u>	<u>\$ 11,700</u>	<u>\$ -</u>	<u>\$ 1,006,114</u>

(Continued)

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2011

DRAFT

### NOTE 7. CAPITAL ASSETS (Continued)

Business-type activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 31,474	\$ 15,000	\$ (6,263)	\$ 40,211
Construction in process	815,582	53,408	-	868,990
Total capital assets not being depreciated	847,056	68,408	(6,263)	909,201
Capital assets being depreciated:				
Structures and improvements	1,495,864	-	-	1,495,864
Water mains	1,590,012	-	-	1,590,012
Meters and equipment	479,380	-	-	479,380
Total capital assets being depreciated	3,565,256	-	-	3,565,256
Less accumulated depreciation for:				
Structures and improvements	628,609	59,382	-	687,991
Water mains	1,137,337	85,199	-	1,222,536
Meters and equipment	300,029	44,168	-	344,197
Total accumulated depreciation	2,065,975	188,749	-	2,254,724
Total capital assets being depreciated, net	1,499,281	188,749	-	1,310,532
Capital assets, net	\$ 2,346,337	\$ (120,341)	\$ 6,263	\$ 2,219,733

### NOTE 8. LONG-TERM DEBT OBLIGATIONS

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 was \$820,000. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town.

(Continued)

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2011

**DRAFT**

### NOTE 8. LONG-TERM DEBT OBLIGATIONS (Concluded)

Payments of principal and interest of 4.50% per year are due monthly in the amount of \$3,723 through January 2043. The balance at June 30, 2011, is \$753,256.

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 June 2050. The balance at June 30, 2011, is \$849,532.

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

	Principal	Interest
2012	\$ 23,486	\$ 61,066
2013	24,403	60,149
2014	25,358	59,194
2015	26,351	58,201
2016	27,384	57,168
2017 – 2021	153,928	268,834
2022 – 2026	186,774	235,987
2027 – 2031	226,848	195,912
2032 – 2036	275,787	146,973
2037 – 2041	335,604	87,156
2042 – 2046	244,605	25,928
2047 – 2050	52,260	1,182
	<u>\$ 1,602,788</u>	<u>\$ 1,257,750</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:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
General obligation debt	<u>\$ 1,642,926</u>	<u>\$ -</u>	<u>\$ (40,138)</u>	<u>\$ 1,602,788</u>

### NOTE 9. SURETY BONDS OF PRINCIPAL OFFICIALS

The Town maintained the following surety bond coverage as of June 30, 2011:

#### Selective Insurance Company – Surety bond

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

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2011

**DRAFT**

### 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, 2011, the Town's annual pension cost of \$62,142 was equal to the Town's required and annual contributions. The required contributions were determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% 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, 2011

**DRAFT****NOTE 10. DEFINED BENEFIT PENSION 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
6/30/2010	\$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%
6/30/2006	\$92,054	\$146,224	\$54,170	62.95%	\$324,554	16.69%

**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.

The Town also leased a dwelling during the year ended June 30, 2010 to one of the Town's employees for \$500 per month. The dwelling is adjacent to the Town Hall and there was no formal lease binding the parties. Subsequent to year end, the Council directed that this dwelling be taken out of service and demolished.

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

2012	\$18,000
2013	18,000
2014	18,000
2015	18,000
2016	16,500

# TOWN OF WINDSOR, VIRGINIA

## Notes to Financial Statements

June 30, 2011

**DRAFT**

### NOTE 14. GENERAL FUND REIMBURSEMENTS

Within the revenue from local sources, the General Fund includes reimbursements from the Water Fund in the amount of \$192,089. 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	\$ 137,195
Protection of the water system	13,162
Overtime	600
Equipment	1,050
Equipment rental	1,710
Information technology	13,200
Insurance	1,350
Main contracts	1,290
Postal services	1,860
Professional services	5,700
Supplies	2,985
Telephone	1,950
Travel and training	2,774
Vehicle allowance	1,440
Repair and maintenance	3,063
Utilities	2,760
	<u>\$ 192,089</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 2010-2011 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 14. SUBSEQUENT EVENT

Management has evaluated subsequent events through November 21, 2011, 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, 2011

**DRAFT**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUE FROM LOCAL SOURCES</b>				
General property taxes:				
Current real estate tax	\$ 174,000	\$ 174,000	\$ 190,819	\$ 16,819
Delinquent real estate tax	4,000	4,000	3,355	(645)
Current mobile home tax	3,700	3,700	4,768	1,068
Delinquent mobile home tax	500	500	619	119
Current personal property tax	58,000	58,000	51,006	(6,994)
Delinquent personal property tax	6,000	6,000	10,810	4,810
Personal property tax relief	19,525	19,525	19,527	2
Public Service Corporation tax	8,000	8,000	9,498	1,498
Penalties and interest on delinquent taxes	<u>4,500</u>	<u>4,500</u>	<u>4,154</u>	<u>(346)</u>
Total general property taxes	<u>278,225</u>	<u>278,225</u>	<u>294,556</u>	<u>16,331</u>
Other local taxes:				
Bank franchise tax	110,000	110,000	113,249	3,249
Communication/Cable franchise tax	65,000	65,000	69,543	4,543
Cigarette tax	40,000	40,000	55,200	15,200
Local sales tax	72,000	72,000	72,811	811
Meals tax	165,000	165,000	194,610	29,610
Utility tax	<u>90,000</u>	<u>90,000</u>	<u>93,561</u>	<u>3,561</u>
Total other local taxes	<u>542,000</u>	<u>542,000</u>	<u>598,974</u>	<u>56,974</u>
Revenue from other sources:				
Licenses:				
Merchants & other licenses	95,000	95,000	111,450	16,450
Motor vehicle licenses	<u>41,000</u>	<u>41,000</u>	<u>42,897</u>	<u>1,897</u>
Total licenses	136,000	136,000	154,347	18,347
Post office rental	16,500	16,500	18,054	1,554
Traffic fines	<u>75,000</u>	<u>75,000</u>	<u>76,275</u>	<u>1,275</u>
Total revenue from other sources	<u>227,500</u>	<u>227,500</u>	<u>248,676</u>	<u>21,176</u>
Reimbursements from other funds:				
Water Fund	<u>190,896</u>	<u>190,896</u>	<u>190,896</u>	<u>-</u>
Total reimbursements from other funds	<u>190,896</u>	<u>190,896</u>	<u>190,896</u>	<u>-</u>

(Continued)

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Revenues - Budget and Actual  
General Fund  
Year Ended June 30, 2011

**DRAFT**

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUE FROM LOCAL SOURCES</b>				
Miscellaneous revenue:				
Administrative collection fee	\$ 8,000	\$ 8,000	\$ 9,280	\$ 1,280
Asset forfeiture	-	-	-	-
Donations	-	-	775	775
Interest earned	18,000	18,000	5,150	(12,850)
Transfer from reserves	1,000	150,928	-	(150,928)
Other miscellaneous revenue	<u>7,500</u>	<u>7,500</u>	<u>22,132</u>	<u>14,632</u>
Total miscellaneous revenue	<u>34,500</u>	<u>184,428</u>	<u>37,337</u>	<u>(147,091)</u>
Total revenue from local sources	<u>1,273,121</u>	<u>1,423,049</u>	<u>1,370,439</u>	<u>(52,610)</u>
<b>REVENUE FROM FEDERAL GOVERNMENT</b>				
ARRA - Stimulus	<u>-</u>	<u>79,570</u>	<u>79,395</u>	<u>(175)</u>
Total revenue from the Federal Government	<u>-</u>	<u>79,570</u>	<u>79,395</u>	<u>(175)</u>
<b>REVENUE FROM COMMONWEALTH OF VIRGINIA</b>				
Categorical aid:				
Litter control	1,000	1,000	1,375	375
Police 599 funding	59,369	59,369	59,372	3
Fire program funds	<u>8,000</u>	<u>8,000</u>	<u>7,200</u>	<u>(800)</u>
Total categorical aid	<u>68,369</u>	<u>68,369</u>	<u>67,947</u>	<u>(422)</u>
Noncategorical aid:				
Mobile home titling taxes	3,000	3,000	4,183	1,183
Grants	<u>-</u>	<u>-</u>	<u>26,066</u>	<u>26,066</u>
Total noncategorical aid	<u>3,000</u>	<u>3,000</u>	<u>30,249</u>	<u>27,249</u>
Total revenue from the Commonwealth of Virginia	<u>71,369</u>	<u>71,369</u>	<u>98,196</u>	<u>26,827</u>
Total revenues	<u>\$ 1,344,490</u>	<u>\$ 1,573,988</u>	<u>\$ 1,548,030</u>	<u>\$ (25,958)</u>

See accompanying notes.



**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Expenditures - Budget and Actual  
General Fund  
Year Ended June 30, 2011

**DRAFT**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION</b>				
<b>Legislative</b>				
Mayor and Council compensation	\$ 9,000	\$ 9,000	\$ 7,800	\$ 1,200
Advertising	1,650	1,650	576	1,074
Audit	15,000	15,000	14,500	500
Dues and subscriptions	1,600	1,600	1,509	91
Travel and training	6,500	6,500	4,908	1,592
Total legislative expenses	33,750	33,750	29,293	4,457
<b>Legal</b>				
Legal services	34,000	34,000	34,000	-
Dues and subscriptions	400	400	220	180
Publications	400	400	155	245
Supplies	200	200	-	200
Travel and training	500	500	-	500
Total legal expenses	35,500	35,500	34,375	1,125
<b>General Management</b>				
Salaries and wages	151,030	151,030	154,648	(3,618)
Overtime	1,500	-	-	-
Non-compensation expenses:				
FICA	11,554	11,554	10,983	571
Health Insurance	23,813	26,813	25,587	1,226
Retirement	20,312	20,312	20,312	-
Life Insurance	2,840	2,840	1,908	932
Advertising	150	150	-	150
Bank fees	800	1,200	1,005	195
Dues and subscriptions	1,100	2,000	1,615	385
Equipment	3,700	3,700	2,610	1,090
Equipment rental	6,000	6,000	4,890	1,110
Information technology	44,400	44,400	44,307	93
Maintenance contracts	5,500	5,500	4,471	1,029
Postal services	6,200	6,200	6,008	192
Professional services	18,000	17,100	15,650	1,450
Publications	3,500	1,600	1,594	6
Supplies	9,950	9,950	7,978	1,972
Telephone-communications	6,500	6,500	6,498	2
Travel and training	13,653	13,653	8,194	5,459
Vehicle allowance	4,800	4,800	4,800	-
Total general management	335,302	335,302	323,058	12,244
Total General Government Administration	404,552	404,552	386,726	17,826

(Continued)

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Expenditures - Budget and Actual  
General Fund  
Year Ended June 30, 2011

**DRAFT**

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>PUBLIC SAFETY</b>				
<b>Police Department</b>				
Salaries and wages	\$ 214,160	\$ 214,160	\$ 220,136	\$ (5,976)
Overtime	35,000	30,500	25,965	4,535
Non-compensation expenses:				
FICA	16,390	19,068	16,225	2,843
Health insurance	37,261	37,261	32,406	4,855
Retirement	26,280	26,280	24,253	2,027
Life insurance	1,760	1,760	534	1,226
Clothing - uniforms	2,000	3,600	3,597	3
Community relations	500	1,000	621	379
Dues and subscriptions	1,000	650	578	72
Equipment	4,500	8,850	8,467	383
Grant and asset forfeiture expense	-	2,498	9,349	(6,851)
Information technology	1,600	3,400	3,191	209
Investigations	400	400	400	-
Publications	250	650	270	380
Rental - facilities	660	-	-	-
Supplies	1,250	1,950	1,892	58
Telephone-communications	8,000	8,000	7,273	727
Travel and training	5,000	7,660	7,062	598
Vehicle fuel	20,000	24,500	24,488	12
Vehicle repairs and maintenance	11,500	16,500	15,925	575
Total police	<u>387,511</u>	<u>408,687</u>	<u>402,632</u>	<u>6,055</u>
<b>Fire Department</b>				
Contribution	19,294	19,294	19,294	-
Grant	8,000	8,000	7,200	800
Total fire department	<u>27,294</u>	<u>27,294</u>	<u>26,494</u>	<u>800</u>
<b>Rescue Squad</b>				
Contribution	11,025	11,025	11,025	-
Total public safety	<u>425,830</u>	<u>447,006</u>	<u>440,151</u>	<u>6,855</u>

(Continued)

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Expenditures - Budget and Actual  
General Fund  
Year Ended June 30, 2011

**DRAFT**

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>PUBLIC WORKS</b>				
<b>Public works and property maintenance</b>				
Salaries and wages	\$ 72,516	\$ 72,516	\$ 73,059	\$ (543)
Overtime	6,500	6,500	246	6,254
Part-time	6,000	6,000	261	5,739
Non-compensation expenses:				
FICA	5,548	5,548	4,939	609
Health insurance	15,076	15,076	15,365	(289)
Retirement	9,224	9,224	9,224	-
Life insurance	595	595	203	392
Building repairs and maintenance	9,250	6,750	6,155	595
Clothing - uniforms	1,900	1,900	1,213	687
Equipment	4,500	4,500	2,131	2,369
Equipment rental	1,000	1,000	-	1,000
Equipment repairs and maintenance	5,000	5,000	1,749	3,251
Rental property repairs and maintenance	3,500	6,000	5,955	45
Street and sidewalk maintenance	10,000	10,000	6,863	3,137
Street lights	37,500	34,822	27,570	7,252
Utilities	9,200	9,200	7,485	1,715
Vehicle fuel	5,000	5,000	3,124	1,876
Vehicle repairs and maintenance	2,000	2,000	427	1,573
Total public works and property maintenance	<u>204,309</u>	<u>201,631</u>	<u>165,969</u>	<u>35,662</u>
<b>Refuse collection</b>				
Residential collection	71,500	71,500	68,112	3,388
Seasonal clean-ups	<u>5,000</u>	<u>5,000</u>	<u>2,450</u>	<u>2,550</u>
Total refuse collection	<u>76,500</u>	<u>76,500</u>	<u>70,562</u>	<u>5,938</u>
Total public works	<u>280,809</u>	<u>278,131</u>	<u>236,531</u>	<u>41,600</u>

(Continued)

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Expenditures - Budget and Actual  
General Fund  
Year Ended June 30, 2011

DRAFT

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>COMMUNITY DEVELOPMENT</b>				
<b>Planning and community development</b>				
Salaries and wages	\$ 42,000	\$ 42,000	\$ 42,000	\$ -
Compensation - Planning Commission	2,200	2,200	2,200	-
Non-compensation expense:				
FICA	3,250	3,250	2,829	421
Health insurance	8,549	8,549	8,549	-
Retirement	5,500	5,500	5,342	158
Life insurance	350	350	118	232
Advertising	1,200	1,200	145	1,055
Dues and subscriptions	650	650	345	305
Professional services	4,000	4,000	-	4,000
Property surveying	-	-	2,100	(2,100)
Publications	100	100	-	100
Supplies	400	400	25	375
Telephone-communications	900	900	792	108
Travel and training	3,000	3,000	2,378	622
Vehicle fuel	350	350	231	119
Vehicle repairs and maintenance	800	800	55	745
	<u>73,249</u>	<u>73,249</u>	<u>67,109</u>	<u>6,140</u>
Total planning and community development				
<b>Cultural events</b>				
4th of July Celebration	3,000	3,000	1,900	1,100
Christmas Holidays	1,000	1,000	181	819
Other events	5,000	5,000	1,153	3,847
	<u>9,000</u>	<u>9,000</u>	<u>3,234</u>	<u>5,766</u>
Total cultural events				
<b>Economic development</b>				
Business appreciation	1,000	1,000	-	1,000
Chamber of Commerce				
Dues and subscriptions	3,500	3,500	3,500	-
Activities	1,000	1,000	517	483
Other economic development activities	1,750	1,750	1,750	-
	<u>7,250</u>	<u>7,250</u>	<u>5,767</u>	<u>1,483</u>
Total economic development				
Total community development	<u>89,499</u>	<u>89,499</u>	<u>76,110</u>	<u>13,389</u>

See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Expenditures - Budget and Actual  
General Fund  
Year Ended June 30, 2011

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>CAPITAL OUTLAY</b>				
Police car	\$ 36,000	\$ 20,000	\$ -	\$ 20,000
Cemetery	-	\$ -	6,263	(6,263)
Sidewalks - ARRA	-	82,000	81,834	166
Total capital outlay	<u>36,000</u>	<u>102,000</u>	<u>88,097</u>	<u>13,903</u>
<b>SPACE NEEDS</b>				
Space Needs Sinking Fund expense	<u>20,000</u>	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Total space needs	<u>20,000</u>	<u>165,000</u>	<u>-</u>	<u>165,000</u>
<b>NON-DEPARTMENTAL</b>				
Contingency	4,000	4,000	2,444	1,556
Contribution - Library	1,000	1,000	1,000	-
Contribution - TRIAD	800	800	800	-
Insurance	27,000	27,000	22,528	4,472
Payments to other governments	<u>55,000</u>	<u>55,000</u>	<u>48,652</u>	<u>6,348</u>
Total non-departmental	<u>87,800</u>	<u>87,800</u>	<u>75,424</u>	<u>12,376</u>
Total expenditures	<u>\$ 1,344,490</u>	<u>\$ 1,573,988</u>	<u>\$ 1,303,039</u>	<u>\$ 270,949</u>

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See accompanying notes.

**TOWN OF WINDSOR, VIRGINIA**  
Computation of Legal Debt Margin  
Year Ended June 30, 2011

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Total assessed value of taxed real property	\$ 199,523,700
Legal debt limit:	
10 percent of total assessed value of taxable property	19,952,370
Less:	
General obligation bonds outstanding	<u>1,602,788</u>
Legal debt margin	<u>\$ 18,349,582</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.

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

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<b>Fiscal Year Ended June 30</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>General Property Taxes</b>	<b>Miscellaneous Revenue and Other Local Taxes</b>	<b>Investment Earnings</b>	<b>Totals</b>
2007	\$ 387,035	\$ 9,191	\$ 203,286	\$ 618,431	\$ 45,352	\$ 1,263,295
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

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

<u>Fiscal Year Ended June 30</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Miscellaneous</u>	<u>Inter- Governmental</u>	<u>Totals</u>
2002	\$ 69,383	\$ 468,707	\$ 93,814	\$ 24,164	\$ 656,068
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

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

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<b>Fiscal Year Ended June 30</b>	<b>General Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Community Development</b>	<b>Water Services</b>	<b>Cemetery</b>	<b>Totals</b>
2007	\$ 491,736	\$ 265,780	\$ 112,012	\$ 18,354	\$ 430,485	\$ 6,768	\$ 1,325,135
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	538,547	360,756	236,531	76,110	520,452	-	1,732,396

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**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>Total</u>
2002	\$ 207,570	\$ 90,079	\$ 74,629	\$ 32,099	\$ 148,892	\$ 73	\$ 553,342
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	88,097	75,424	1,303,039

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

<b>Fiscal Year Ended June 30</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Public Utility Real Estate</b>	<b>Public Utility Personal Property</b>	<b>Total</b>
2002	\$ 73,638,300	\$ 16,589,351	\$ 5,011,094	\$ 335,839	\$ 95,574,584
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

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

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# TOWN OF WINDSOR, VIRGINIA

## Property Tax Rates Last Ten Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Mobile Homes</b>
2002	\$ 0.19	\$ 0.50	\$ 0.10	\$ 0.19
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

NOTE: Per \$100 of assessed value.

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**TOWN OF WINDSOR, VIRGINIA**  
Property Tax Levies and Collections  
Last Ten 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>
2002	\$ 80,841	\$ 68,568	84.82%	\$ 815	\$ 69,383	85.83%	\$ 14,546	17.99%
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%

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**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Expenditures of Federal Awards  
June 30, 2011

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<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>		
Direct programs:		
Water and Waste Disposal Systems For Rural Communities (Loan) *	10.760	\$ <u>754,051</u>
Total expenditures of federal awards		\$ <u><u>754,051</u></u>

\* Major Program

**NOTE A. BASIS OF PRESENTATION**

The above schedule of expenditures of federal awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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**TOWN OF WINDSOR, VIRGINIA**  
Schedule of Findings and Questioned Costs  
June 30, 2011

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**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Town of Windsor, Virginia.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Schedule of Findings and Questioned Costs. The deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Town of Windsor, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the Town of Windsor expresses an unqualified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
6. The program tested as a major program was CFDA #10.760, the Water and Waste Disposal Systems for Rural Communities.
7. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
8. The Town of Windsor was determined to be a high-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

2011-1 Financial Statements

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

**TOWN OF WINDSOR, VIRGINIA**  
Summary of Compliance Matters  
June 30, 2011

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As more fully described in the Independent Auditors' Report on Compliance, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**FEDERAL COMPLIANCE MATTERS**

*Government Auditing Standards*, issued by the Comptroller General of the United States.

**STATE COMPLIANCE MATTERS**

**Code of Virginia:**

Budget and Appropriation Laws  
Cash and Investment Laws  
Debt Provisions  
Retirement Systems  
Procurement

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**State Agency Requirements:**

Personal Property Tax Relief Act  
Uniform Disposition of Unclaimed Property Act  
Enhanced 911 Service Taxes

**LOCAL COMPLIANCE MATTERS**

Budget Laws  
Town Purchasing and Procurement Policies and Procedures  
Town Personnel Policies and Procedures  
Town Investment Policy



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# **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 Town of Windsor, Virginia (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. 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, Virginia'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 the Town of Windsor, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Windsor's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **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*.

We noted certain matters that we reported to management of the Town of Windsor, Virginia in a separate letter dated November 21, 2011.

This report is intended solely for the information and use of management, the Town of Windsor, Virginia, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Members of Town Council  
Town of Windsor, Virginia

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**Compliance**

We have audited the Town of Windsor's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the Town of Windsor, Virginia, did not comply with requirements regarding their ability to draft the financial statements, record debt and major capital and convert the financial statements to GASB 34. Compliance with such requirements is necessary, in our opinion, for the Town of Windsor, Virginia, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Windsor, Virginia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of the Town of Windsor, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs (2011-1) to be a material weakness.

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.

November 30, 2011

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