


Town of Windsor

Memorandum

December 4, 2009

TO: The Honorable Mayor and Members of Town Council
FROM: John L. Rowe, Jr., Interim Town Manager 
SUBJECT: The 2008-2009 Audit

This is the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009. This document is commonly referred to as the "Audit for Fiscal Year 2008-2009."

As you know, Diane Smith, CPA, our independent auditor, will give you a comprehensive briefing on this report at your 8 December Council meeting.

Despite the recession, Fiscal Year 2008-2009 was a great year financially for the Town. The original budget for 2008-2009 anticipated using \$5,000 from the Fund Balance of the General Fund to balance the budget. We did not have to use the Fund Balance as a funding source for our revenues were greater than we expected. We received \$110,561 more in revenues than we budgeted.

I am both happy and proud to report that all of our departments lived within their budgets. In fact, our General Fund expenditures were \$260,055 less than those authorized by Council.

Because General Fund revenues were greater than anticipated and expenditures were less than budgeted, the net outcome was an excess of revenues over expenditures of \$370,616. Our Fund Balance for the General Fund grew from \$1,022,613 to \$1,393,229.

Our General Fund remains strong, and I am very proud of the financial discipline that our employees exercise. This report is testimony of their great efforts.

I encourage you to read this report in detail, and please do not hesitate to ask Diane questions as she makes her presentation.

If you have any questions for me, then please do not hesitate to call me over the weekend. You have my numbers, but for ease of reference, my cell phone number is 390-7219 and my home phone number is 483-3136.

C: Robin Hewett
Bob Porti
Pret Pretlow
Kenny Sims
Michael Stallings

Town of Windsor, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2009

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TOWN OF WINDSOR

Town Elected Officials
Marvin A. Crocker, Jr., Mayor
William L. Jones—Vice Mayor
J. Clinton Bryant
Wesley F. Garris
Carita J. Richardson
Durwood V. Scott
Greg Willis



Interim Town Manager
John L. Rowe, Jr.

Town Clerk/Treasurer
Robin L. Hewett

Town Attorney
Joshua Pretlow, Jr.

Established 1902

December 4, 2009

The Honorable Mayor, Members of Town Council,
and Citizens of the Town of Windsor
Town of Windsor, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the Town of Windsor, Virginia for the fiscal year ending June 30, 2009. This report was prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board. Town management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe the following about the data presented in this report:

- It is accurate in all material respects.
- It is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds.
- We have included all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs.

As you know, the Town of Windsor was established by act of the Virginia General Assembly in 1902. It is a political subdivision of the Commonwealth of Virginia with a Mayor, a Town Council, and a Town Manager. The citizens of Windsor elect a Mayor and six Town Council members; the Town Council appoints the Town Manager. The Town is part of Isle of Wight County, and it has taxing powers subject to restrictions imposed by the Virginia General Assembly.

State law requires that a certified public accountant selected by the Town Council audit the Town's annual financial statements. Diane Y. Smith, CPA, PC, performed this annual audit of the financial and transactions of all funds, and departments of the Town for the fiscal year ending June 30, 2009. The reader can find the auditor's report and the auditor's opinion on the Town's basic financial statements in this report.

In summary, we sincerely appreciate the Town Council's support and cooperation in planning and conducting the Town's financial operations.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "John L. Rowe, Jr.", is written over the typed name.

John L. Rowe, Jr.
Interim Town Manager

TOWN OF WINDSOR, VIRGINIA

Mayor

Marvin A. Crocker, Jr.

Vice Mayor

William L. Jones

Council Members

J. Clinton Bryant

Wesley F. Garris

Carita J. Richardson

Durwood V. Scott

Greg Willis

Interim Town Manager

John L. Rowe, Jr.

Assistant 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, 2009. 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, 2009:

- Town Council adopted the 2008-2009 Operating Budget with the anticipation of using \$5,000 from the Fund Balance of the General Fund to balance the budget; however, because the Town's 2008-2009 General Fund revenues were greater than budgeted, the Town did not have to use any of the Fund Balance of the General Fund.
- General Fund expenditures were \$260,055 less than appropriated by Town Council for the 2008-2009 operating budget.
- All of the departments within the General Fund had operating expenditures that were less than the amounts appropriated by Council for that the department. However, per the requirements of the Governmental Accounting Standard Board (GASB), we must accrue unused vacation and sick leave. However, the Town does not accrue unused vacation and sick leave for budgetary purposes. Therefore, while it appears that the Police Department did not live within its approved expenditure budget, they did, in fact, meet their budget prior to the accruals.
- General Fund revenues were \$110,561 greater than originally anticipated by Town Council for the 2008-2009 operating budget.
- Because the General Fund revenues were greater than anticipated and expenditures were less than budgeted, the net outcome was an excess of revenues over expenditures of \$370,616.
- The Fund Balance of the General Fund grew from a beginning balance of \$1,022,613 to an ending balance of \$1,393,229.

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

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 30 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$1,464,229	\$1,163,026	\$ 276,635	\$ 262,603	\$1,740,864	\$1,425,629
Capital Assets	1,006,708	1,075,349	1,812,138	1,932,752	2,818,846	3,008,101
Total Assets	\$2,470,937	\$2,238,375	\$2,088,773	\$2,195,355	\$4,559,710	\$4,433,730
Long-Term Liabilities	\$ -	\$ -	\$ 773,227	\$ 782,871	\$ 773,227	\$ 782,871
Other Liabilities	44,796	78,508	39,811	33,901	84,607	112,409
Total Liabilities	\$ 44,796	\$ 78,508	\$ 813,038	\$ 816,772	\$ 857,834	\$ 895,280

	Governmental Activities		Business-Type Activities		Total	
Net Assets:	2009	2008	2009	2008	2009	2008
Invested in Capital Assets, net of Related Debt	\$1,006,708	\$1,075,349	\$1,812,138	\$1,149,881	\$2,818,846	\$2,225,230
Unrestricted	1,419,433	1,084,518	(536,403)	228,702	883,030	1,313,220
Total Net Assets	\$2,426,141	\$2,159,867	\$1,275,735	\$1,378,583	\$3,701,876	\$3,538,450

By far, the largest portion of the Town of Windsor's net assets (76%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, vehicles and equipment and software.

Governmental Activities

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

	Governmental Activities		Business-Type Activities		Total	
REVENUES	2009	2008	2009	2008	2009	2008
Program Services:						
Charges for services	\$ 186,506	\$ 220,060	\$ 369,859	\$ 248,944	\$ 556,365	\$ 474,004
Operating grants	103,343	77,622	14,000	-	117,343	77,622
General Revenues:						
Property taxes	312,852	188,415	-	-	312,852	188,415
Other taxes	747,494	726,031	-	-	747,494	726,031
Interest	22,772	25,871	15,295	25,879	38,067	51,750
Total Revenues	\$ 1,372,967	\$1,242,999	\$ 399,154	\$ 274,823	\$1,772,121	\$1,517,822

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

	Governmental Activities		Business-Type Activities		Total	
EXPENSES	2009	2008	2009	2008	2009	2008
General government	\$ 534,782	\$ 557,887	\$ -	\$ -	\$ 534,782	\$ 557,887
Public safety	436,382	385,767	-	-	436,382	358,767
Public works	116,126	126,423	-	-	116,126	126,423
Community development	15,515	20,622	-	-	15,515	20,622
Water services	-	-	467,726	430,485	467,726	430,485
Cemetery	-	-	2,276	6,768	2,276	6,768
Total Expenses	\$ 1,102,805	\$ 1,090,699	\$ 470,002	\$ 478,287	\$1,572,807	\$1,596,986

Financial Analysis of the Town'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 resources. 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 greater than anticipated, and expenditures were less than budgeted. The net outcome was that revenues exceeded expenditures by \$370,616. As stated earlier, its ending balance was \$1,393,229. In summary, the General Fund remained strong during the fiscal year ending on June 30, 2009.

The Water Fund shows a net loss of \$110,994. This is primarily 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, 2009.

Economic Factors

Despite the recession that existed throughout the fiscal year ending June 30, 2009, 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, 2009. 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.

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 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, 2009, 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, 2009, 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 30, 2009, 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 basic financial statements. The introductory section, individual statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 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 G. Smith, CPA, PC

November 30, 2009

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 622,582	\$ 10,460	\$ 633,042
Restricted	126,803	29,318	156,121
Receivables			
Taxes (net of allowance for uncollectibles)	66,248	-	66,248
Other	-	42,188	42,188
Prepaid expenses	3,804	-	3,804
Due from other governmental units	11,953	-	11,953
Internal balances	181,012	(181,012)	-
Investments	451,827	369,083	820,910
Capital assets (net of accumulated depreciation)	666,353	1,703,890	2,370,243
Capital assets (not being depreciated)	340,355	108,248	448,603
Deferred bond cost (net of accumulated amortization)	-	6,598	6,598
Total assets	<u>\$ 2,470,937</u>	<u>\$ 2,088,773</u>	<u>\$ 4,559,710</u>
LIABILITIES			
Accounts payable	\$ 9,691	\$ 2,713	\$ 12,404
Accrued expenses	35,105	7,780	42,885
Deposits payable	-	29,318	29,318
Bonds payable			
Due within one year	-	10,087	10,087
Due in more than one year	-	763,140	763,140
Total liabilities	<u>44,796</u>	<u>813,038</u>	<u>857,834</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,006,708	1,812,138	2,818,846
Unrestricted	<u>1,419,433</u>	<u>(536,403)</u>	<u>883,030</u>
Total net assets	<u>2,426,141</u>	<u>1,275,735</u>	<u>3,701,876</u>
Total liabilities and net assets	<u>\$ 2,470,937</u>	<u>\$ 2,088,773</u>	<u>\$ 4,559,710</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Activities
Year Ended June 30, 2009

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	\$ 534,782	\$ 67,455	\$ 1,471	\$ (465,856)	\$ -	\$ (465,856)
Public safety	436,382	119,051	101,872	(215,459)	-	(215,459)
Public works	116,126	-	-	(116,126)	-	(116,126)
Community development	15,515	-	-	(15,515)	-	(15,515)
Total governmental activities	<u>1,102,805</u>	<u>186,506</u>	<u>103,343</u>	<u>(812,956)</u>	<u>-</u>	<u>(812,956)</u>
Business-type activities:						
Water services	467,726	364,359	14,000	-	(89,367)	(89,367)
Cemetery plot sales	2,276	5,500	-	-	3,224	3,224
Total business-type activities	<u>470,002</u>	<u>369,859</u>	<u>14,000</u>	<u>-</u>	<u>(86,143)</u>	<u>(86,143)</u>
Total primary government	<u>\$ 1,572,807</u>	<u>\$ 556,365</u>	<u>\$ 117,343</u>	<u>(812,956)</u>	<u>(86,143)</u>	<u>(899,099)</u>
General Revenues:						
Real estate and personal property taxes				312,852	-	312,852
Local sales and use taxes				81,138	-	81,138
Consumers' utility taxes				109,524	-	109,524
Business license taxes				105,924	-	105,924
Bank franchise taxes				186,983	-	186,983
Meals taxes				208,539	-	208,539
Other local taxes				55,386	-	55,386
Investment earnings				22,772	15,295	38,067
Total general revenues				<u>1,083,118</u>	<u>15,295</u>	<u>1,098,413</u>
Change in net assets				270,162	(70,848)	199,314
NET ASSETS						
Beginning				2,123,979	1,378,583	3,502,562
Transfers				32,000	(32,000)	-
Ending				<u>\$ 2,426,141</u>	<u>\$ 1,275,735</u>	<u>\$ 3,701,876</u>

See accompanying notes.

FUND FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA**Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 622,582	\$ -	\$ 622,582
Restricted	100,599	26,204	126,803
Receivables			
Taxes (net of allowances for uncollectibles)	66,248	-	66,248
Prepaid expenses	3,804	-	3,804
Due from other governmental units	11,953	-	11,953
Due from other funds	181,012	-	181,012
Investments	451,827	-	451,827
Total assets	<u>\$ 1,438,025</u>	<u>\$ 26,204</u>	<u>\$ 1,464,229</u>
LIABILITIES			
Accounts payable	\$ 9,691	\$ -	\$ 9,691
Accrued expenses	35,105	-	35,105
Total liabilities	<u>44,796</u>	<u>-</u>	<u>44,796</u>
FUND BALANCES			
Unrestricted	1,393,229	-	1,393,229
Designated for grant fund	-	26,204	26,204
Total fund balances	<u>1,393,229</u>	<u>26,204</u>	<u>1,419,433</u>
Total liabilities and fund balances	<u>\$ 1,438,025</u>	<u>\$ 26,204</u>	<u>\$ 1,464,229</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2009

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

Total governmental fund balances	\$ 1,419,433
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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>1,006,708</u>
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Net assets of governmental activities	<u><u>\$ 2,426,141</u></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, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 303,725	\$ -	\$ 303,725
Other local taxes	784,127	-	784,127
Revenue from use of money and property	22,585	188	22,773
Revenue from other sources	151,914	-	151,914
Revenue from the Commonwealth of Virginia	<u>110,429</u>	<u>-</u>	<u>110,429</u>
Total revenues	<u>1,372,780</u>	<u>188</u>	<u>1,372,968</u>
EXPENDITURES			
General government	418,599	-	418,599
Public safety	436,382	-	436,382
Public works	116,126	-	116,126
Community development	15,515	-	15,515
Payments to other governments	38,490	-	38,490
Capital outlays	<u>9,052</u>	<u>-</u>	<u>9,052</u>
Total expenditures	<u>1,034,164</u>	<u>-</u>	<u>1,034,164</u>
Excess of revenues over expenditures	338,616	188	338,804
FUND BALANCES			
Beginning (restated)	1,022,613	26,016	1,048,629
Transer from Water Fund	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Ending	<u>\$ 1,393,229</u>	<u>\$ 26,204</u>	<u>\$ 1,419,433</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, 2009

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

Net change in fund balance - total governmental funds	\$ 338,804
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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 capital outlays exceeded depreciation in the current period.

(68,642)

Change in net assets of governmental activities	<u>\$ 270,162</u>
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See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
General property taxes	\$ 255,000	\$ 281,380	\$ 303,725	\$ 22,345
Other local taxes	615,000	649,400	784,127	134,727
Revenue from use of money and property	20,000	20,000	22,585	2,585
Revenue from other sources	169,000	203,420	151,914	(51,506)
Revenue from the Commonwealth	85,500	108,019	110,429	2,410
Total revenues	<u>1,144,500</u>	<u>1,262,219</u>	<u>1,372,780</u>	<u>110,561</u>
EXPENDITURES				
General government	415,181	461,063	418,599	42,464
Public safety	358,319	424,567	436,382	(11,815)
Public works	153,000	157,700	116,126	41,574
Community development	23,000	23,000	15,515	7,485
Payments to other governments	55,000	55,000	38,490	16,510
Capital outlays	172,000	172,889	9,052	163,837
Total expenditures	<u>1,176,500</u>	<u>1,294,219</u>	<u>1,034,164</u>	<u>260,055</u>
Excess (deficiency) of revenues over expenditures	(32,000)	(32,000)	338,616	370,616
FUND BALANCES				
Beginning (restated)	-	-	1,022,613	1,022,613
Transfer to Water Fund	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,393,229</u>	<u>\$ 1,393,229</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Net Assets
Proprietary Fund and Similar Trust Fund
June 30, 2009

	Proprietary Fund (Water)	Similar Trust Fund (Cemetery)	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 2,404	\$ 8,056	\$ 10,460
Restricted	29,318	-	29,318
Accounts receivable (net of allowances for uncollectibles)	-	-	-
Other receivables	42,188	-	42,188
Investments	<u>252,774</u>	<u>116,309</u>	<u>369,083</u>
Total current assets	<u>326,684</u>	<u>124,365</u>	<u>451,049</u>
NONCURRENT ASSETS			
Capital assets (net of accumulated depreciation)	1,703,890	-	1,703,890
Capital assets (not being depreciated)	101,985	6,263	108,248
Deferred bond costs (net of accumulated amortization)	<u>6,598</u>	<u>-</u>	<u>6,598</u>
Total noncurrent assets	<u>1,812,473</u>	<u>6,263</u>	<u>1,818,736</u>
Total assets	<u>\$ 2,139,157</u>	<u>\$ 130,628</u>	<u>\$ 2,269,785</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Net Assets
Proprietary Fund and Similar Trust Fund
June 30, 2009

	Proprietary Fund (Water)	Similar Trust Fund (Cemetery)	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 2,713	\$ -	\$ 2,713
Accrued expenses	7,741	39	7,780
Deposits payable	29,318	-	29,318
Due to other fund	181,012	-	181,012
General obligation bonds - current portion	<u>10,087</u>	<u>-</u>	<u>10,087</u>
Total current liabilities	230,871	39	230,910
NONCURRENT LIABILITIES			
General obligation bonds payable (net of current portion)	<u>763,140</u>	<u>-</u>	<u>763,140</u>
Total liabilities	<u>994,011</u>	<u>39</u>	<u>994,050</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,805,875	6,263	1,812,138
Unrestricted	<u>(660,729)</u>	<u>124,326</u>	<u>(536,403)</u>
Total net assets	<u>1,145,146</u>	<u>130,589</u>	<u>1,275,735</u>
Total liabilities and net assets	<u>\$ 2,139,157</u>	<u>\$ 130,628</u>	<u>\$ 2,269,785</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund and Similar Trust Fund
Year Ended June 30, 2009

	Proprietary Fund (Water)	Similar Trust Fund (Cemetery)	Total
OPERATING REVENUES			
Charges for services	\$ 346,168	\$ -	\$ 346,168
Other operating income	12,040	-	12,040
Late fees	6,151	-	6,151
Grant revenue	14,000	-	14,000
Sale of lots	-	5,500	5,500
	<u>378,359</u>	<u>5,500</u>	<u>383,859</u>
Total operating revenues			
OPERATING EXPENSES			
Personnel services	153,523	2,113	155,636
Utilities	17,780	-	17,780
Maintenance and repairs	24,240	163	24,403
Meters and tools	4,215	-	4,215
Professional fees	12,717	-	12,717
Administration	11,169	-	11,169
Insurance	4,000	-	4,000
Depreciation and amortization	205,417	-	205,417
	<u>433,061</u>	<u>2,276</u>	<u>435,337</u>
Total operating expenses			
Operating income (loss)	<u>(54,702)</u>	<u>3,224</u>	<u>(51,478)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	10,373	4,922	15,295
Interest expense	(34,665)	-	(34,665)
	<u>(24,292)</u>	<u>4,922</u>	<u>(19,370)</u>
Total nonoperating revenues (expenses)			
Changes in fund net assets	(78,994)	8,146	(70,848)
FUND NET ASSETS			
Beginning	1,256,140	122,443	1,378,583
Transfer to General Fund	(32,000)	-	(32,000)
Ending	<u>\$ 1,145,146</u>	<u>\$ 130,589</u>	<u>\$ 1,275,735</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Charges for services	\$ 450,000	\$ 450,000	\$ 346,168	\$ (103,832)
Other operating income	105,000	105,000	12,040	(92,960)
Late fees	6,000	6,000	6,151	151
Grant income	-	-	14,000	14,000
Total revenues	<u>561,000</u>	<u>561,000</u>	<u>378,359</u>	<u>(182,641)</u>
EXPENSES				
Personnel services	180,000	176,800	153,523	23,277
Utilities	17,000	17,950	17,780	170
Maintenance and repairs	36,900	35,950	24,240	11,710
Meters and tools	70,000	70,000	4,215	65,785
Professional fees	28,500	28,500	12,717	15,783
Administration	8,000	11,200	11,169	31
Insurance	4,000	4,000	4,000	-
Capital outlays	29,000	29,000	-	29,000
Uncollectible accounts	1,000	1,000	-	1,000
Depreciation and amortization	<u>50,000</u>	<u>50,000</u>	<u>205,417</u>	<u>(155,417)</u>
Total operating expenses	<u>424,400</u>	<u>424,400</u>	<u>433,061</u>	<u>(8,661)</u>
Operating income (loss)	<u>136,600</u>	<u>136,600</u>	<u>(54,702)</u>	<u>(191,302)</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	10,000	10,000	10,373	373
Interest expense	-	(44,676)	(34,665)	10,011
USDA loan fund reserve	<u>(114,600)</u>	<u>(69,924)</u>	<u>-</u>	<u>69,924</u>
Total nonoperating revenue (expenses)	<u>(104,600)</u>	<u>(104,600)</u>	<u>(24,292)</u>	<u>80,308</u>
Change in net assets	32,000	32,000	(78,994)	(110,994)
FUND NET ASSETS				
Beginning	-	-	1,256,140	1,256,140
Transfer to General Fund	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,145,146</u>	<u>\$ 1,145,146</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual - Similar Trust (Cemetery) Fund
Year Ended June 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
OPERATING REVENUES			
Sale of lots	\$ 3,000	\$ 5,500	\$ 2,500
Total operating revenues	<u>3,000</u>	<u>5,500</u>	<u>2,500</u>
OPERATING EXPENSES			
Personnel services	6,000	2,113	3,887
Maintenance and repairs	200	163	37
Other	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Total operating expenses	<u>7,500</u>	<u>2,276</u>	<u>5,224</u>
Operating income (loss)	<u>(4,500)</u>	<u>3,224</u>	<u>7,724</u>
NONOPERATING REVENUES			
Interest income	3,000	4,922	1,922
Utilization of beginning fund balance	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total nonoperating revenues	<u>4,500</u>	<u>4,922</u>	<u>422</u>
Change in net assets	<u>\$ -</u>	<u>8,146</u>	<u>\$ 8,146</u>
FUND NET ASSETS			
Beginning		<u>122,443</u>	
Ending		<u>\$ 130,589</u>	

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund and Similar Trust Fund
Year Ended June 30, 2009

	<u>Proprietary Fund (Water)</u>	<u>Similar Trust Fund (Cemetery)</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 363,814	\$ -	\$ 363,814
Proceeds from sale of lots	-	5,500	5,500
Payments to employees	(150,295)	(2,113)	(152,408)
Payments to suppliers	(71,439)	(163)	(71,602)
Net cash provided by operating activities	<u>142,080</u>	<u>3,224</u>	<u>145,304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(32,000)</u>	<u>-</u>	<u>(32,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
General obligation bond payments:			
Principal	(9,644)	-	(9,644)
Interest	(34,665)	-	(34,665)
Purchases of fixed assets	<u>(84,536)</u>	<u>-</u>	<u>(84,536)</u>
Net cash used in capital and related financing activities	<u>(128,845)</u>	<u>-</u>	<u>(128,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(10,125)	(24,706)	(34,831)
Interest income	<u>10,373</u>	<u>4,922</u>	<u>15,295</u>
Net cash provided by (used in) investing activities	<u>248</u>	<u>(19,784)</u>	<u>(19,536)</u>
Net change in cash and cash equivalents	(18,517)	(16,560)	(3,077)
CASH AND CASH EQUIVALENTS			
Beginning	<u>50,239</u>	<u>24,616</u>	<u>74,855</u>
Ending	<u>\$ 31,722</u>	<u>\$ 8,056</u>	<u>\$ 39,778</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund and Similar Trust Fund
Year Ended June 30, 2009

(Concluded)

	Proprietary Fund (Water)	Similar Trust Fund (Cemetery)	Total
CASH AND CASH EQUIVALENTS CONSIST OF:			
Unrestricted cash	\$ 2,404	\$ 8,056	\$ 10,460
Restricted cash	<u>29,318</u>	<u>-</u>	<u>29,318</u>
	<u>\$ 31,722</u>	<u>\$ 8,056</u>	<u>\$ 39,778</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (54,702)	\$ 3,224	\$ (51,478)
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	205,417	-	205,417
Deposits	2,082	-	2,082
Changes in assets and liabilities:			
Accounts receivable	(14,545)	-	(14,545)
Accrued expenses	3,228	-	3,228
Accounts payable	<u>600</u>	<u>-</u>	<u>600</u>
Net cash provided by operating activities	<u>\$ 142,080</u>	<u>\$ 3,224</u>	<u>\$ 145,304</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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

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.

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.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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

The Proprietary Fund and the Similar (Trust) Fund distinguish operating revenues and expenses from nonoperating 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 nonoperating 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.

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

Activity 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 \$64,200 at June 30, 2009.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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

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, 2008, 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 \$.08 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 \$500. 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.

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

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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

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 \$1,006,708 difference are as follows:

Capital outlays	\$ 9,052
Depreciation expense	<u>(77,690)</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>\$ (68,642)</u>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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.

Excess of Expenditures Over Budget for General Fund

As per NCGAI 6, paragraph 4, the following is being disclosed:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Overexpended Amount</u>
Public Safety:			
Police Department	\$ 394,248	\$ 406,603	\$ 11,815

The overage resulted because the Town does not accrue vacation and sick leave for purposes of budgeting.

NOTE 4. CASH AND INVESTMENTS

Deposits

At year-end, the carrying value of the Town's deposits with banks and savings institutions was \$1,609,558 and the bank balance was \$1,654,857. 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, 2009.

Cash and cash equivalents in the amount of \$29,318 in the Water Fund are restricted customer deposits.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

NOTE 4. CASH AND INVESTMENTS (Concluded)

For purposes of the statement of cash flows of the Proprietary Fund, both restricted and unrestricted cash, are considered to be cash and cash equivalents.

Cash and cash equivalents – statement of cash flows:

Unrestricted	\$	2,404
Restricted		<u>29,318</u>
Total cash and cash equivalents	\$	<u>31,722</u>

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	<u>-</u>	<u>181,012</u>
	<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	\$ 6,147
Traffic fines	<u>5,806</u>
Total	<u>\$ 11,953</u>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

NOTE 7. CAPITAL ASSETS

Capital asset activity at year-end was as follows:

Governmental activities:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 340,355	\$ -	\$ -	\$ 340,355
Capital assets being depreciated:				
Buildings and improvements	680,301	-	-	680,301
Infrastructure	131,103	-	-	131,103
Vehicles and equipment	447,284	9,052	-	456,336
Software	35,180	-	-	35,180
Total capital assets being depreciated	1,293,868	9,052	-	1,302,920
Less accumulated depreciation for:				
Buildings and improvements	255,841	16,647	-	272,488
Infrastructure	39,274	6,623	-	45,897
Vehicles and equipment	231,510	51,491	-	283,001
Software	32,249	2,932	-	35,181
Total accumulated depreciation	558,874	77,693	-	636,567
Total capital assets being depreciated, net	734,994	(68,641)	-	666,353
Capital assets, net	\$1,075,349	\$ (68,641)	\$ -	\$1,006,708

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

NOTE 7. CAPITAL ASSETS (Concluded)

Business-type activities:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 31,474	\$ -	\$ -	\$ 31,474
Construction in process	-	76,774	-	76,774
Total capital assets not being depreciated	<u>31,474</u>	<u>76,774</u>	<u>-</u>	<u>108,248</u>
Capital assets being depreciated:				
Structures and improvements	1,495,864	-	-	1,495,864
Water mains	1,590,012	-	-	1,590,012
Meters and equipment	<u>471,619</u>	<u>7,761</u>	<u>-</u>	<u>479,380</u>
Total capital assets being depreciated	<u>3,557,495</u>	<u>7,761</u>	<u>-</u>	<u>3,565,256</u>
Less accumulated depreciation for:				
Structures and improvements	509,657	59,502	-	569,159
Water mains	936,038	101,316	-	1,037,354
Meters and equipment	<u>210,522</u>	<u>44,331</u>	<u>-</u>	<u>254,853</u>
Total accumulated depreciation	<u>1,656,217</u>	<u>205,149</u>	<u>-</u>	<u>1,861,366</u>
Total capital assets being depreciated, net	<u>1,901,278</u>	<u>(197,388)</u>	<u>-</u>	<u>1,703,890</u>
Capital assets, net	<u>\$1,932,752</u>	<u>\$ (197,388)</u>	<u>\$ -</u>	<u>\$1,735,364</u>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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. Payments of principal and interest of 4 1/2% per year are due monthly in the amount of \$3,723 through January 2043. The balance at June 30, 2009, is \$773,227.

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>
2010	\$ 10,088	\$ 34,589
2011	10,551	34,125
2012	11,035	33,641
2013	11,542	33,134
2014	12,072	32,604
2015 – 2019	69,209	154,172
2020 – 2024	86,636	136,745
2025 – 2029	108,451	114,930
2030 – 2034	135,759	87,621
2035 – 2039	169,941	53,439
2040 – 2043	<u>147,943</u>	<u>12,588</u>
	<u>\$ 773,227</u>	<u>\$ 727,588</u>

NOTE 9. SURETY BONDS OF PRINCIPAL OFFICIALS

The Town maintained the following surety bond coverage as of June 30, 2009:

Selective Insurance Company – Surety bond

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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/Pdf/Publications/2008annurept.pdf> 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, 2009, was 7.27% of annual covered payroll.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

NOTE 10. DEFINED BENEFIT PENSION PLAN (Concluded)

Annual Pension Cost

For fiscal year ended June 30, 2009, the Town's annual pension cost of \$43,134 was equal to the Town's required and annual contributions. The required contributions were determined as part of the June 30, 2009, 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.

Schedule of Funding Progress for the Town of Windsor, Virginia

Actuarial Valu- ation 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
6/30/2008	\$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%
6/30/2005	\$55,746	\$130,258	\$74,782	42.80%	\$222,070	33.55%

NOTE 11. TRANSFERS

Interfund transfers at year-end are as follows:

<u>Fund</u>	<u>To</u>	<u>From</u>
General Fund	\$ 32,000	\$ -
Proprietary Fund	-	32,000
	<u>\$ 32,000</u>	<u>\$ 32,000</u>

Transfers are used (1) to move revenues from the fund where either statute or budget requires them to be collected to the fund where they are required to be held and (2) to use unrestricted revenues collected in one fund to finance various programs accounted for another fund in accordance with budgetary authorizations.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

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, 2011. 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 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.

The following is a summary of future minimum rental income under non-cancelable operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 18,000
2011	<u>16,500</u>
	<u>\$ 34,500</u>

NOTE 14. SUBSEQUENT EVENT

The Town of Windsor has been awarded financial assistance from the Rural Development Agency of the United States Department Agriculture to provide improvements to the Town's existing water system, a project estimated to cost \$1,395,000. The funding sources for the project are: a Rural Development Loan of \$1,331,000, a Rural Development Planning Grant of \$14,000, and a contribution on the part of the Town of \$50,000. The application was approved with an interest rate of 3.625% with monthly debt service payments of \$5,324 for 40 years.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2009

NOTE 15 PRIOR PERIOD ADJUSTMENT

The prior year's fund balance in the General Fund has been restated for an automobile that was purchased in the prior year and expensed in the current year.

Fund balance, as previously reported	\$ 1,058,502
Relcassification	<u>(35,889)</u>
Fund balance, restated	<u>\$ 1,022,613</u>

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
General property taxes:				
Real property taxes (including public service corporations)	\$ 180,000	\$ 195,000	\$ 205,025	\$ 10,025
Personal property taxes (including public service corporations)	75,000	75,000	88,641	13,641
Mobile homes	-	5,800	4,503	(1,297)
Penalties and interest	-	5,580	5,556	(24)
Total general property taxes	<u>255,000</u>	<u>281,380</u>	<u>303,725</u>	<u>22,345</u>
Other local taxes:				
Local sales and use taxes	90,000	90,000	81,138	(8,862)
Meal taxes	165,000	184,400	208,539	24,139
Consumers' utility taxes	45,000	45,000	109,524	64,524
Business license taxes	90,000	90,000	105,924	15,924
Bank franchise taxes	70,000	85,000	105,076	20,076
Communications taxes	74,000	74,000	81,907	7,907
Cigarette taxes	45,000	45,000	48,300	3,300
Motor vehicle licenses	36,000	36,000	43,719	7,719
Total other local taxes	<u>615,000</u>	<u>649,400</u>	<u>784,127</u>	<u>134,727</u>
Revenue from use of money	<u>20,000</u>	<u>20,000</u>	<u>22,585</u>	<u>2,585</u>
Revenue from other sources:				
Traffic fines	120,000	120,000	119,051	(949)
Rental income	24,000	24,000	23,250	(750)
Miscellaneous income	25,000	59,420	9,613	(49,807)
Total revenue from other sources	<u>169,000</u>	<u>203,420</u>	<u>151,914</u>	<u>(51,506)</u>
Total revenue from local sources	<u>1,059,000</u>	<u>1,154,200</u>	<u>1,262,351</u>	<u>108,151</u>
REVENUE FROM THE COMMONWEALTH OF VIRGINIA				
Categorical aid:				
Litter control	9,500	1,500	1,471	(29)
Police 599 funding	68,000	68,000	65,553	(2,447)
DCJS Grant - Technology	-	28,319	28,319	-
Fire program funds	-	8,000	8,000	-
Total categorical aid	<u>77,500</u>	<u>105,819</u>	<u>103,343</u>	<u>(2,476)</u>
Noncategorical aid:				
Mobile home titling taxes	<u>8,000</u>	<u>2,200</u>	<u>7,086</u>	<u>4,886</u>
Total revenue from the Commonwealth of Virginia	<u>85,500</u>	<u>108,019</u>	<u>110,429</u>	<u>2,410</u>
Total revenues	<u>\$ 1,144,500</u>	<u>\$ 1,262,219</u>	<u>\$ 1,372,780</u>	<u>\$ 110,561</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
GENERAL GOVERNMENT ADMINISTRATION				
Legislative - Town Council	\$ 13,000	\$ 13,000	\$ 10,000	\$ 3,000
GENERAL AND FINANCIAL ADMINISTRATION				
Engineering and consulting	25,000	21,382	15,430	5,952
Professional fees	50,681	90,681	79,508	11,173
Personnel	225,500	225,500	209,878	15,622
Insurance and bonding	21,000	21,747	21,665	82
Seminars and training	15,000	15,000	11,865	3,135
Office operations and utilities	50,000	58,753	57,304	1,449
Miscellaneous	15,000	15,000	12,949	2,051
Total general governmental administration	<u>415,181</u>	<u>461,063</u>	<u>418,599</u>	<u>42,464</u>
PUBLIC SAFETY				
Law enforcement and traffic control:				
Police department	328,000	394,248	406,063	(11,815)
Fire and rescue services - volunteer fire and rescue department	<u>30,319</u>	<u>30,319</u>	<u>30,319</u>	<u>-</u>
Total public safety	<u>358,319</u>	<u>424,567</u>	<u>436,382</u>	<u>(11,815)</u>
PUBLIC WORKS				
Maintenance of sidewalks and street lights:				
Sidewalks	10,000	10,000	-	10,000
Street lights	<u>35,000</u>	<u>35,000</u>	<u>26,322</u>	<u>8,678</u>
Total maintenance of sidewalks and street lights	<u>45,000</u>	<u>45,000</u>	<u>26,322</u>	<u>18,678</u>
Sanitation and waste removal:				
Refuse collection	68,000	71,500	68,503	2,997
Fall and Spring clean up	<u>5,000</u>	<u>5,000</u>	<u>2,177</u>	<u>2,823</u>
Total sanitation and waste removal	<u>73,000</u>	<u>76,500</u>	<u>70,680</u>	<u>5,820</u>
Maintenance of general buildings and grounds:				
Rental properties	5,000	5,000	2,873	2,127
General administration	20,000	7,100	3,417	3,683
General properties	<u>10,000</u>	<u>24,100</u>	<u>12,834</u>	<u>11,266</u>
Total maintenance of general buildings and grounds	<u>35,000</u>	<u>36,200</u>	<u>19,124</u>	<u>17,076</u>
Total public works	<u>153,000</u>	<u>157,700</u>	<u>116,126</u>	<u>41,574</u>

(Continued)

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2009

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
COMMUNITY DEVELOPMENT				
Planning and community development:				
Planning commission	\$ 3,000	\$ 3,000	\$ 947	\$ 2,053
Community development	20,000	20,000	14,568	5,432
Total community development	23,000	23,000	15,515	7,485
Capital outlays	172,000	172,889	9,052	163,837
Payments to other governments	55,000	55,000	38,490	16,510
	1,176,500	1,294,219	1,034,164	260,055
Fund transfer	32,000	32,000	32,000	-
Total expenditures	<u>\$ 1,208,500</u>	<u>\$ 1,326,219</u>	<u>\$ 1,066,164</u>	<u>\$ 260,055</u>

See accompanying notes.

TOWN OF WINDSOR, VIRGINIA

Computation of Legal Debt Margin

Year Ended June 30, 2009

Total assessed value of taxed real property	<u>\$ 198,862,100</u>
Legal debt limit:	
10 percent of total assessed value of taxable property	19,886,210
Less:	
General obligation bonds outstanding	<u>773,227</u>
Legal debt margin	<u>\$ 19,112,983</u>

NOTE:

Virginia state statute limits bond issuing authority of Virginia cities and towns to 10% of the 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 Three Fiscal Years

Fiscal Year Ended June 30	Charges for Services	Operating Grants and Contributions	General Property Taxes	Other Local Taxes	Investment Earnings	Totals
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

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

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Use of Money and Property	Miscellaneous	Recovered Costs	Inter- Governmental	Totals
2000	\$ 92,144	\$ 243,176	\$ 19,124	\$ 26,764	\$ 398	\$ 10,555	\$ 392,161
2001	92,454	284,424	20,425	175,623	-	8,990	581,916
2002	69,383	468,707	20,229	73,585	-	24,164	656,068
2003	115,219	456,728	13,955	80,300	-	15,995	682,197
2004	139,248	476,723	15,677	83,429	-	73,681	788,758
2005	164,505	545,527	17,074	130,958	-	18,220	876,284
2006	179,879	535,071	17,173	161,968	-	14,151	908,242
2007	203,287	639,594	27,124	113,230	-	24,811	1,008,046
2008	259,416	681,312	25,869	192,906	-	88,287	1,247,790
2009	303,725	784,127	22,773	151,914	-	110,429	1,372,968

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

Fiscal Year Ended June 30	General Administration	Public Safety	Public Works	Community Development	Water Services	Cemetery	Totals
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

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 Projects</u>	<u>Non- departmental</u>	<u>Appropriated Prior Year Fund Balance</u>	<u>Total</u>
2000	\$ 152,018	\$ 41,109	\$ 43,959	\$ 10,550	\$ 16,293	\$ 26,030	\$ 51,875	\$ 341,834
2001	165,844	60,295	48,786	9,759	65,461	33,219	-	383,364
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

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
2000	\$ 30,934,906	\$ 7,386,821	\$ 4,147,578	\$ 273,634	\$ 42,742,939
2001	30,686,400	7,941,880	4,344,597	263,253	43,236,130
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

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
2000	\$ 0.19	\$ 0.50	\$ 0.10	\$ 0.19
2001	0.19	0.50	0.10	0.19
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

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 to Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2000	\$ 98,554	\$ 91,028	92.36%	\$ 429	\$ 91,457	92.80%	\$ 13,705	13.91%
2001	92,748	87,869	94.74%	3,215	91,084	98.21%	11,318	12.20%
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%

TOWN OF WINDSOR, VIRGINIA
Schedule of Findings and Questioned Costs
June 30, 2009

FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2009-1 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 provide 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, 2009

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

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



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 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, 2009, which collectively comprise the Town of Windsor, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2009. 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 in order to determine 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Town of Windsor's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Windsor, Virginia's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider the significant deficiencies described above to be a material weakness.

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*.

This report is intended solely for the information and use of Town Council, management and others within the Organization and is not intended to be and should not be used by anyone other than those specified parties.

David G. Smith, CPA, PC

November 30, 2009