

Town of Windsor, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2016

DRAFT

Town of Windsor, Virginia

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TOWN OF WINDSOR, VIRGINIA

Mayor

Carita J. Richardson

Vice Mayor

J Clinton Bryant

Council Members

Tony Ambrose

N. Macon Edwards, III

Patty Flemming

Durwood V. Scott

Greg Willis

Town Manager

Michael Stallings

Treasurer

Christina N. Jernigan

Town Clerk

Terry Whitehead

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, 2016. Please read it in conjunction with the Town's financial statements following this section.

Financial Highlights

The following are a few financial highlights in the fund financial statements for the fiscal year ending June 30, 2016:

- General Fund revenues were \$324,937 more than originally anticipated by Town Council for the year's final operating budget.
- General fund expenditures were \$545,939 less than appropriated by Town Council for the year's final operating budget.
- The fund balance of the governmental funds was increased from \$1,963,280 to an ending balance of \$2,343,176.
- All of the departments within the General Fund had total operating expenditures that were less than the amount appropriated by Council for that the department.
- The revenues of the proprietary (water) fund were \$59,136 more than originally anticipated by Town Council for the final operating budget of the year.
- The expenditures of the proprietary (water) fund were \$150,252 less than originally anticipated by Town Council for the final operating budget of the year.
- The Proprietary fund balance increased from \$795,372 to \$890,996 during the fiscal year ending June 30, 2016.

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 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 Fund. This fund has been included in the government-wide financial statements.

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

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

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,532,434	\$ 2,106,796	\$ 980,186	\$ 842,091	\$ 3,512,620	\$ 2,948,887
Capital assets	2,527,228	2,527,307	1,416,269	1,516,857	3,943,497	4,044,164
Total assets	\$ 5,059,662	\$ 4,634,103	\$ 2,396,455	\$ 2,358,948	\$ 7,456,117	\$ 6,993,051
Long-term liabilities	\$ -	\$ -	\$ 1,381,653	\$ 1,444,296	\$ 1,381,653	\$ 1,444,296
Other liabilities	221,315	168,435	123,806	119,280	345,121.00	287,715
Total liabilities	\$ 221,315	\$ 168,435	\$ 1,505,459	\$ 1,563,576	\$ 1,726,774	\$ 1,732,011
Invested in capital assets, net of related debt	\$ 2,493,865	\$ 2,527,307	\$ (6,600)	\$ 32,008	\$ 2,487,265	\$ 2,559,315
Unrestricted	2,344,482	1,938,361	897,596	763,364	3,242,078	2,701,725
Total net assets	\$ 4,838,347	\$ 4,465,668	\$ 890,996	\$ 795,372	\$ 5,729,343	\$ 5,261,040

By far, the largest portion of the Town of Windsor's net assets, 69%, 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 are as follows:

	Governmental activities		Business Activities		Total	
REVENUES	2016	2015	2016	2015	2016	2015
Program services:						
Charges for services	\$ 454,273	\$ 432,177	\$ 546,636	\$ 601,480	\$ 1,000,909	\$ 1,033,657
Operating grants	78,657	90,740	-	-	78,657	90,740
General revenues						
Property taxes	296,553	300,118	-	-	296,553	300,118
Other taxes	933,821	945,592	-	-	933,821	945,592
Interest	13,906	12,301	4,736	5,301	18,642	17,602
Total revenues	\$ 1,777,210	\$ 1,780,928	\$ 551,372	\$ 606,781	\$ 2,328,582	\$ 2,387,709

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

	Governmental Activities		Business Activities		Total	
EXPENDITURES	2016	2015	2016	2015	2016	2015
General government	\$ 350,177	\$ 328,536	\$ -	\$ -	\$ 350,177	\$ 328,536
Public safety	600,617	553,046	-	-	600,617	553,046
Public works	221,366	213,844	-	-	221,366	213,844
Community development	97,552	84,216	-	-	97,552	84,216
Non departmental	134,819	105,751	-	-	134,819	105,751
Water services	-	-	455,748	462,470	455,748	462,470
Total expenditures	\$ 1,404,531	\$ 1,285,393	\$ 455,748	\$ 462,470	\$ 1,860,279	\$ 1,747,863

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 \$324,937 more than anticipated, and expenditures were \$545,939 less than budgeted. The net outcome was that revenues exceeded expenditures by \$379,850.

The Water Fund's revenues exceeded the budget by \$59,136. Expenditures were \$150,252 less than the budget.

Economic Factors

As the economic market makes a slow recovery for the year ending June 30, 2016, the Town's revenues remained strong. The Town receives the bulk of its revenues from real estate and personal property tax, meals tax, licenses and traffic fines. Since some of these revenues are economy driven, if there were to be a significant downturn in the economy, they could shrink. In this regard, the Town needs to diversify its tax base with additional commercial and industrial developments.

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Town Council
Town of Windsor, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, and each major fund of the Town of Windsor, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity and each major fund of the Town of Windsor, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General and Enterprise Funds.

Emphasis of Matter

Restatement

As described in the notes to the financial statements effective July 1, 2015, the Town of Windsor adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board (“GASB”) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Windsor, Virginia’s basic financial statements. The introductory section, other supplementary information, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Windsor, Virginia's internal control over financial reporting and compliance.

Newport News, Virginia

March 27, 2017

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA
Statement of Net Assets
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 693,655	\$ 568,605	\$ 1,262,260
Restricted	1,089,315	-	1,089,315
Receivables			
Taxes (net of allowance for uncollectibles)	126,120	-	126,120
Other receivables	-	82,452	82,452
Due from other governmental units	20,390	-	20,390
Internal balances	5,777	(5,777)	-
Investments	517,545	276,802	794,347
Net pension asset	46,799	12,893	59,692
Capital assets (net of accumulated depreciation)	901,762	1,376,058	2,277,820
Capital assets (not being depreciated)	1,625,466	40,211	1,665,677
Deferred bond cost (net of accumulated amortization)	-	36,165	36,165
	<u>5,026,829</u>	<u>2,387,409</u>	<u>7,414,238</u>
DEFERRED OUTFLOW OF RESOURCES			
Employer contributions subsequent to the measurement date	32,833	9,046	41,879
	<u>\$ 5,059,662</u>	<u>\$ 2,396,455</u>	<u>\$ 7,456,117</u>
LIABILITIES			
Accounts payable	\$ 11,260	\$ 6,246	\$ 17,506
Accrued expenses	97,276	12,670	109,946
Deposits payable	-	42,094	42,094
Due to Police Department	1,090	-	1,090
Loan payable, due within one year	33,363	-	33,363
General obligation bonds payable -			
Due within one year	-	41,216	41,216
Due in more than one year	-	1,381,653	1,381,653
	<u>142,989</u>	<u>1,483,879</u>	<u>1,626,868</u>
DEFERRED INFLOW OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	78,326	21,580	99,906
	<u>221,315</u>	<u>1,505,459</u>	<u>1,726,774</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,493,865	(6,600)	2,487,265
Unrestricted	<u>2,344,482</u>	<u>897,596</u>	<u>3,242,078</u>
	<u>4,838,347</u>	<u>890,996</u>	<u>5,729,343</u>
Total net assets	<u>4,838,347</u>	<u>890,996</u>	<u>5,729,343</u>
Total liabilities, deferred inflow of resources and net assets	<u>\$ 5,059,662</u>	<u>\$ 2,396,455</u>	<u>\$ 7,456,117</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenditures	Program Revenues		Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activity	Business-type Activity	
Primary government:						
General government						
General government administration	\$ 350,177	\$ 296,526	\$ 1,071	\$ (52,580)	\$ -	\$ (52,580)
Public safety	600,617	157,747	77,586	(365,284)	-	(365,284)
Public works	221,366	-	-	(221,366)	-	(221,366)
Community development	97,552	-	-	(97,552)	-	(97,552)
Nondepartmental	134,819	-	-	(134,819)	-	(134,819)
Total governmental activities	1,404,531	454,273	78,657	(871,601)	-	(871,601)
Business-type activities:						
Water services	455,748	546,636	-	-	90,888	90,888
Total business-type activities	455,748	546,636	-	-	90,888	90,888
Total primary government	\$ 1,860,279	\$ 1,000,909	\$ 78,657	(871,601)	90,888	(780,713)
General Revenues:						
Real estate and personal property taxes				296,553	-	296,553
Local sales and use taxes				89,250	-	89,250
Consumers' utility taxes				90,822	-	90,822
Merchants & other licenses				124,840	-	124,840
Bank franchise tax				150,975	-	150,975
Communication taxes				64,704	-	64,704
Meals taxes				316,855	-	316,855
Other local revenue				96,375	-	96,375
Investment earnings				13,906	4,736	18,642
Total general revenues				1,244,280	4,736	1,249,016
Changes in net assets				372,679	95,624	468,303
NET ASSETS						
Beginning				4,465,668	795,372	5,261,040
Ending				\$ 4,838,347	\$ 890,996	\$ 5,729,343

See accompanying notes

TOWN OF WINDSOR, VIRGINIA

Balance Sheet Governmental Funds June 30, 2016

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 693,655	\$ -	\$ 693,655
Restricted	1,041,601	47,714	1,089,315
Receivables			
Taxes (net of allowances for uncollectibles)	126,120	-	126,120
Due from Water Fund	5,777	-	5,777
Due from other governmental units	20,390	-	20,390
Investments	<u>517,545</u>	<u>-</u>	<u>517,545</u>
Total assets	<u>\$ 2,405,088</u>	<u>\$ 47,714</u>	<u>\$ 2,452,802</u>
LIABILITIES			
Accounts payable	\$ 11,260	\$ -	\$ 11,260
Accrued expenses	97,276	-	97,276
Due to police department	<u>1,090</u>	<u>-</u>	<u>1,090</u>
Total liabilities	109,626	-	109,626
FUND BALANCES			
Unrestricted:			
Unassigned	<u>2,295,462</u>	<u>47,714</u>	<u>2,343,176</u>
Total liabilities and fund balances	<u>\$ 2,405,088</u>	<u>\$ 47,714</u>	<u>\$ 2,452,802</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2016

Total governmental fund balances	\$ 2,343,176
Amounts reported for government activities in the statement of net assets are different because:	
Capital assets used in the governmental activity are not financial resources and, therefore, not reported in the funds.	2,527,228
The net pension asset is not receivable in the current period and, therefore, is not reported as an asset in the governmental funds.	59,692
Actual earnings on pension plan investments, changes in differences in proportion and differences between employer contributions, and proportionate share of contributions, and contributions subsequent to the measurement date are not reported in the governmental funds.	<u>(91,749)</u>
Total net assets of governmental activities	<u>\$ 4,838,347</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
General property taxes	\$ 296,554	\$ -	\$ 296,554
Other local taxes	792,136	-	792,136
Revenue from other sources	330,768	-	330,768
Miscellaneous revenue	212,878	46	212,924
Revenues from the Commonwealth	81,593	-	81,593
Reimbursements from other funds	<u>63,240</u>	<u>-</u>	<u>63,240</u>
Total revenues	<u>1,777,169</u>	<u>46</u>	<u>1,777,215</u>
EXPENDITURES			
General government administration	327,237	-	327,237
Public safety	525,361	-	525,361
Public works	215,063	-	215,063
Community development	98,102	-	98,102
Capital outlays	129,720	-	129,720
Non-departmental	<u>134,819</u>	<u>-</u>	<u>134,819</u>
Total expenditures	<u>1,430,302</u>	<u>-</u>	<u>1,430,302</u>
Excess of revenues over expenditures	<u>346,867</u>	<u>46</u>	<u>346,913</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from police car debt	69,872	-	69,872
Payment on police car debt	<u>(36,889)</u>	<u>-</u>	<u>(36,889)</u>
Total other financing sources and uses	<u>32,983</u>	<u>-</u>	<u>32,983</u>
Excess of revenues over expenditures and other financing sources and uses	<u>379,850</u>	<u>46</u>	<u>379,896</u>
FUND BALANCES			
Beginning	<u>1,915,612</u>	<u>47,668</u>	<u>1,963,280</u>
Ending	<u>\$ 2,295,462</u>	<u>\$ 47,714</u>	<u>\$ 2,343,176</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, 2016

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

Net change in fund balance - total governmental funds	\$	379,896
Governmental funds report bond payments as expenses. However, in the statement of net assets, the payments are offset against notes payable.		36,889
Governmental funds report bond issuance costs as expenditures. However, in the statement of net assets the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which amortization expense exceeded the bond costs in the current period.		7,835
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(79)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension costs		(51,862)
Change in net assets of governmental activities	\$	372,679

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
General property taxes	\$ 292,225	\$ 292,225	\$ 296,554	\$ 4,329
Other local taxes	738,000	738,000	792,136	54,136
Revenue from other sources	329,000	329,000	330,768	1,768
Miscellaneous revenue	28,850	28,850	212,878	184,028
Revenues from the Commonwealth	69,789	70,789	81,593	10,804
Reimbursements from other funds	63,240	63,240	63,240	-
Total revenues	<u>1,521,104</u>	<u>1,522,104</u>	<u>1,777,169</u>	<u>255,065</u>
EXPENDITURES				
General government administration	326,204	447,704	327,237	120,467
Public safety	542,724	555,524	525,361	30,163
Public works	241,603	241,603	215,063	26,540
Community development	99,190	99,190	98,102	1,088
Capital outlays	407,350	407,350	129,720	277,630
Non-departmental	119,033	261,759	134,819	126,940
Total expenditures	<u>1,736,104</u>	<u>2,013,130</u>	<u>1,430,302</u>	<u>582,828</u>
Excess of revenues over expenditures	<u>(215,000)</u>	<u>(491,026)</u>	<u>346,867</u>	<u>837,893</u>
OTHER FINANCING SOURCES AND (USES)				
Proceeds from police car debt	-	-	69,872	69,872
Payment on police car debt	-	-	(36,889)	(36,889)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>32,983</u>	<u>32,983</u>
FUND BALANCES				
Beginning	<u>-</u>	<u>-</u>	<u>1,915,612</u>	<u>1,915,612</u>
Transfer from reserves	215,000	491,026	-	(491,026)
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,295,462</u>	<u>\$ 2,786,488</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Net Assets
Proprietary Fund
June 30, 2016

	<u>Proprietary Fund (Water)</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 568,605
Accounts receivable (net of allowances for uncollectibles)	82,452
Due from General Fund	-
Net pension asset	12,893
Investments	<u>276,802</u>
Total current assets	<u>940,752</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation	1,376,058
Capital assets, not being depreciated	40,211
Deferred bond costs (net of accumulated amortization)	<u>36,165</u>
Total noncurrent assets	<u>1,452,434</u>
Total assets	2,393,186
DEFERRED OUTFLOW OF RESOURCES	
Employer contributions subsequent to the measurement date	<u>9,046</u>
Total assets and deferred outflow of resources	<u>\$ 2,402,232</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Net Assets
Proprietary Fund
June 30, 2016

	<u>Proprietary Fund (Water)</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 6,246
Accrued expenses	12,670
Customer deposits payable	42,094
Due to General fund	5,777
General obligation bonds - current portion	<u>41,216</u>
Total current liabilities	108,003
NONCURRENT LIABILITIES	
General obligation bonds payable, net of current portion	<u>1,381,653</u>
Total liabilities	1,489,656
DEFERRED INFLOW OF RESOURCES	
Net difference between projected and actual earnings on plan investments	<u>21,580</u>
Total liabilities and deferred inflow of resources	<u>1,511,236</u>
NET ASSETS	
Investment in capital assets, net of related debt	(6,600)
Unrestricted	<u>897,596</u>
Total net assets	<u>890,996</u>
Total liabilities, deferred inflow of resources and net assets	<u>\$ 2,402,232</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2016

	Proprietary Fund (Water)
OPERATING REVENUES	
Water sales	\$ 466,761
Tap, connection and other fees	79,875
Total operating revenues	546,636
OPERATING EXPENSES	
Bank fees	1,328
Clothing - uniforms	406
Depreciation and amortization	102,427
Dues and subscriptions	600
Equipment	3,469
Equipment rental	453
Equipment repairs and maintenance	5,942
Maintenance contracts	22,986
Meters	555
Professional fees	7,153
State fees	3,719
System repairs and maintenance	11,609
Telephone-communications	2,050
Travel and training	1,298
Utilities	20,020
Vehicle fuel	1,922
Vehicle maintenance and repair	793
Payments to General Fund:	
Salaries	163,945
Protection of water system	13,200
Indirect costs	50,040
Total operating expenses	413,915
Total operating income	132,721
NONOPERATING REVENUE (EXPENSE)	
Interest income	4,736
Interest expense	(41,833)
Total nonoperating revenue (expense)	(37,097)
Change in net assets	95,624
NET ASSETS	
Beginning	795,372
Ending	\$ 890,996

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual - Proprietary Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Water sales	\$ 442,500	\$ 442,500	\$ 466,761	\$ 24,261
Tap, connection and other fees	45,000	45,000	79,875	34,875
Total revenues	<u>487,500</u>	<u>487,500</u>	<u>546,636</u>	<u>59,136</u>
OPERATING EXPENSES				
Advertising	100	100	-	100
Bank fees	850	1,500	1,328	172
Capital outlay - new maintenance facility	115,000	115,000	-	115,000
Clothing - uniforms	500	500	406	94
Depreciation and amortization	58,724	58,724	102,427	(43,703)
Dues and subscriptions	800	800	600	200
Equipment	4,000	4,000	3,469	531
Equipment rental	500	500	453	47
Equipment repairs and maintenance	5,000	6,000	5,942	58
Maintenance contracts	25,000	25,000	22,986	2,014
Meters	1,000	1,000	555	445
Professional fees	4,000	4,000	7,153	(3,153)
Publications	200	200	-	200
State fees	4,500	4,500	3,719	781
System repairs and maintenance	15,000	13,350	11,609	1,741
Telephone-communications	1,600	1,600	2,050	(450)
Temporary help	1,000	1,000	-	1,000
Travel and training	2,500	2,500	1,298	1,202
Utilities	19,000	19,000	20,020	(1,020)
Vehicle fuel	3,000	3,000	1,922	1,078
Vehicle maintenance and repair	900	900	793	107
Water main replacement	5,000	5,000	-	5,000
Payments to General Fund for:				
Salaries	176,586	176,586	163,945	12,641
Protection of water system	13,200	13,200	13,200	-
Indirect costs	50,040	50,040	50,040	-
Total operating expenses	<u>508,000</u>	<u>508,000</u>	<u>413,915</u>	<u>94,085</u>
Operating income (loss)	<u>(20,500)</u>	<u>(20,500)</u>	<u>132,721</u>	<u>153,221</u>
NONOPERATING REVENUE (EXPENSE)				
Interest income	3,500	3,500	4,736	1,236
Interest expense	(98,000)	(98,000)	(41,833)	56,167
Total nonoperating revenue (expense)	<u>(94,500)</u>	<u>(94,500)</u>	<u>(37,097)</u>	<u>57,403</u>
Change in net assets	-	-	95,624	95,624
NET ASSETS				
Beginning	-	-	795,372	795,372
Transfer from reserves	115,000	115,000	-	(115,000)
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,996</u>	<u>\$ 890,996</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

	<u>Proprietary Fund (Water)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 555,275
Payments to employees	(176,585)
Payments to suppliers	(144,777)
	233,913
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt repayment to General Fund	6,680
General obligation bond payments:	
Principal	(61,980)
Interest	(41,833)
	(97,133)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(3,716)
Interest income	4,736
	1,020
Net change in cash and cash equivalents	137,800
CASH AND CASH EQUIVALENTS	
Beginning	430,805
Ending	\$ 568,605

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

(Concluded)

	<u>Proprietary Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 132,721
Reconciliation of operating income to net cash provided by operating activities	
Depreciation and amortization	102,427
Changes in assets and liabilities:	
Accounts receivable	8,639
Deferred outflow of resources	(844)
Accrued expenses	(8,886)
Accounts payable	5,679
Net pension liability	(20,691)
Deferred inflow of resources	13,222
Deposits payable	<u>1,646</u>
Net cash provided by operating activities	<u>\$ 233,913</u>

DRAFT

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

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

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

(Continued)

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

Property taxes, sales and use taxes, other local taxes, licenses and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Funds

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

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

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

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

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

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

(Continued)

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 \$46,824 at June 30, 2016.

Real estate taxes and personal property taxes are levied and billed annually and are due December 5th of each year. Tax rates for bills due December 5, 2015, 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 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, 2016

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 and proprietary fund type statements of net assets. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

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

Net Assets

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

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

Fund Balances

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

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

Use of Estimates

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

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 \$7,217 difference are as follows:

Long-term debt payments	\$ <u>36,889</u>
Amortization expense	\$ <u>7,835</u>
Capital outlays	\$ 129,720
Depreciation expense	<u>(129,799)</u>
Net adjustment	\$ <u>(79)</u>
Pension costs	\$ <u>(51,862)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

NOTE 4. CASH AND INVESTMENTS

Deposits

At year-end, the carrying value of the Town’s deposits with banks and savings institutions was \$2,351,575 and the bank balance was \$2,398,702. The bank balance was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

(Continued)

NOTE 4. CASH AND INVESTMENTS (Concluded)

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. There were no uninsured or uncollateralized amounts at June 30, 2016.

Investments

At June 30, 2016, the Town’s investment balance consists of the following:

	<u>General Fund</u>	<u>Business-type Fund</u>	<u>Total</u>
Certificates of deposit	\$ 517,545	\$ 276,802	\$ 794,347

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

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

Isle of Wight County:		
Sales tax		\$ 7,826
Traffic fines		<u>12,564</u>
		<u>\$ 20,390</u>

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables at year-end are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 5,777	\$ -
Proprietary Fund	<u>-</u>	<u>5,777</u>
	<u>\$ 5,777</u>	<u>\$ 5,777</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity at year-end was as follows:

Governmental activities:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 1,558,118	\$ -	\$ -	\$ 1,558,118
Construction in Process	7,500	18,086	-	25,586
Accounting system	-	41,762	-	41,762
Total capital assets not being depreciated	<u>1,565,618</u>	<u>59,848</u>	<u>-</u>	<u>1,625,466</u>
Capital assets being depreciated:				
Buildings and improvements	1,087,141	-	-	1,087,141
Infrastructure	263,544	-	-	263,544
Vehicles and equipment	548,918	69,872	35,889	582,901
Software	45,860	-	-	45,860
Total capital assets being depreciated	<u>1,945,463</u>	<u>69,872</u>	<u>35,889</u>	<u>1,979,446</u>
Less accumulated depreciation for:				
Buildings and improvements	406,924	35,345	-	442,269
Infrastructure	100,139	11,396	-	111,535
Vehicles and equipment	430,851	83,058	35,889	478,020
Software	45,860	-	-	45,860
Total accumulated depreciation	<u>983,774</u>	<u>129,799</u>	<u>35,889</u>	<u>1,077,684</u>
Total capital assets being depreciated, net	<u>961,689</u>	<u>(59,927)</u>	<u>-</u>	<u>901,762</u>
Capital assets, net	<u>\$ 2,527,307</u>	<u>\$ (79)</u>	<u>\$ -</u>	<u>\$ 2,527,228</u>

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

General government	\$ 24,477
Public safety	92,030
Public works	<u>13,292</u>
Total depreciation expense	<u>\$ 129,799</u>

NOTE 7. CAPITAL ASSETS (Concluded)

Business-type activities:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 40,211	\$ -	\$ -	\$ 40,211
Total capital assets not being depreciated	<u>40,211</u>	<u>-</u>	<u>-</u>	<u>40,211</u>
Capital assets being depreciated:				
Structures and improvements	2,364,854	-	-	2,364,854
Water mains	1,590,012	-	-	1,590,012
Meters and equipment	479,382	-	-	479,382
Total capital assets being depreciated	<u>4,434,248</u>	<u>-</u>	<u>-</u>	<u>4,434,248</u>
Less accumulated depreciation for:				
Structures and improvements	1,002,512	79,879	-	1,082,391
Water mains	1,486,911	16,202	-	1,503,113
Meters and equipment	468,179	4,507	-	472,686
Total accumulated depreciation	<u>2,957,602</u>	<u>100,588</u>	<u>-</u>	<u>3,058,190</u>
Total capital assets being depreciated, net	<u>1,476,646</u>	<u>(100,588)</u>	<u>-</u>	<u>1,376,058</u>
Capital assets, net	<u>\$ 1,516,857</u>	<u>\$ (100,588)</u>	<u>\$ -</u>	<u>\$ 1,416,269</u>

NOTE 8. LOAN PAYABLE

The Town obtained a loan in August 2015 in the amount of \$69,872. This loan is collateralized by police vehicles. Final principal payment of \$33,363 plus interest of 1.25% is due February 2017.

	<u>\$ 33,363</u>
Due within one year	<u>\$ 33,363</u>

NOTE 9. 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 is \$774,742. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Payments of principal and interest of 3.07% per year are due monthly through April 2032.

\$ 664,619

The Town authorized and issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. The original amount of this general obligation bond was \$879,000. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Beginning April 2011, payments of principal and interest of 3.25% per year are due monthly in the amount of \$3,323 through September 2046.

758,250

Total debt	1,422,869
Due within one year	<u>41,216</u>
Due in more than one year	<u>\$ 1,381,653</u>

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>
2017	\$ 41,216	\$ 44,852
2018	49,972	43,552
2019	51,499	41,981
2020	53,043	40,363
2021	55,605	55,605
2022 - 2026	303,131	166,257
2027 - 2031	353,245	115,589
2032 - 2036	185,238	65,805
2037 - 2041	158,048	41,332
2042 - 2046	<u>171,872</u>	<u>13,549</u>
	<u>\$ 1,422,869</u>	<u>\$ 628,885</u>

(Continued)

NOTE 9. LONG-TERM DEBT OBLIGATIONS (Concluded)

The following is a summary of changes in the Town’s long-term debt obligations for the fiscal year ended June 30, 2016:

Business-type activities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
General obligation debt	\$ 1,484,849	\$ -	\$ 61,980	\$ 1,422,869

NOTE 10. SURETY BONDS OF PRINCIPAL OFFICIALS

The Town maintains a blanket insurance for Public Employees Dishonesty coverage in the amount of \$100,000 through the Virginia Municipal League Insurance Program.

NOTE 11. 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 12. LEASING ARRANGEMENTS

The Town leases a copy machine for general administration under a non-cancelable lease agreement. The lease term requires 60 monthly payments of \$216 ending June 2019.

The Town leases a copy machine for public safety administration under a non-cancelable lease agreement. The lease term requires 60 monthly payments of \$103 ending December 2018.

Minimum lease payments under these leases are as follows:

2017	\$ 3,824
2018	3,824
2019	<u>3,311</u>
	<u>\$ 14,783</u>

NOTE 13. GENERAL FUND REIMBURSEMENTS

Within the revenue from local sources, the General Fund includes reimbursements from the Water Fund in the amount of \$227,185. The reimbursements result from three sources: payroll, protection provided to the water system and indirect costs paid by the General Fund on behalf of the other Fund. The reimbursements are to cover the following expenditures that were paid by the General Fund on behalf of the other fund:

Water Fund:

Payroll	\$ 163,945
Protection of the water system	13,200
Overtime	300
Equipment	1,050
Equipment rental	1,800
Information technology	8,100
Insurance	11,100
Maintenance contracts	1,500
Postal services	2,190
Professional services	4,500
Supplies	2,850
Telephone	2,100
Travel and training	4,500
Vehicle allowance	1,440
Repair and maintenance	4,630
Utilities	3,980
	<u>\$ 227,185</u>

These costs are reflected as reimbursements from the Water Fund in the General Fund revenues and the costs included within the related expenditure categories of the General Fund, to comply with the budget that was adopted for the 2015-2016 year. In the Water Fund, they are reflected as payments to the General Fund within the expenditures and not allocated to the various expenditure categories.

NOTE 14. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures exceeded appropriations in the following budget line items:

General Management:

Salaries and wages	\$	16,424
Retirement		867
Bank fees		286
DMV Stop fee		880
Dues and subscriptions		354
Education – Town Manager		1,541
Information technology		2,140
Telephone – communications		443

Public Safety:

Salaries and wages	\$	6,032
Equipment		8,201
Telephone – communications		395
Vehicle repairs and maintenance		1,299

Public Works:

Salaries and wages	\$	13,055
Health insurance		730
Retirement		216
Life insurance		41
Clothing – uniforms		37
Vehicle repairs and maintenance		1

Community Development:

Salaries and wages	\$	4,602
Health insurance		411
Retirement		124
Life insurance		22

Cultural Events:

Fourth of July Celebration	\$	111
Christmas Holidays		157

Capital Outlay:

Financial software upgrade	\$	5,762
Police vehicles		30,872

Water Fund

Depreciation and amortization	\$	43,703
Professional fees		3,153
Telephone - communications		450
Utilities		1,020

(Continued)

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2017, the date on which financial statements were available to be issued.

NOTE 16. RETIREMENT PLAN

Plan Description

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

All full-time, salaried permanent employees of the Town of Windsor are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan1, Plan 2 and Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

(Continued)

NOTE 16. RETIREMENT PLAN (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2016 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

NOTE 16. RETIREMENT PLAN (Continued)

<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2015.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2015.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2015.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2015.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2015. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2015 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2015; the plan's effective date for opt-in members was July 1, 2015 <p>*Non-Eligible members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
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NOTE 16. RETIREMENT PLAN (Continued)

		<p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2 they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to the specified percentages.</p>

NOTE 16. RETIREMENT PLAN (Continued)

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit</u> <u>Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions</u> <u>Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit</u> <u>Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.</p>

NOTE 16. RETIREMENT PLAN (Continued)

<p>Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.
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NOTE 16. RETIREMENT PLAN (Continued)

		<ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 ½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

NOTE 16. RETIREMENT PLAN (Continued)

<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0% For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age VRS Age 65. Political subdivision hazardous duty employees: Age 60</p>	<p>Normal Retirement Age VRS Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable.</p>

NOTE 16. RETIREMENT PLAN (Continued)

<p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTE 16. RETIREMENT PLAN (Continued)

<p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). 	<p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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NOTE 16. RETIREMENT PLAN (Continued)

<ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Eligibility Eligible political subdivision and school division (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

NOTE 16. RETIREMENT PLAN (Continued)

<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits</p>	<p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan.</p> <p>Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit</u> <u>Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution</u> <u>Component:</u> Not applicable</p>

NOTE 16. RETIREMENT PLAN (Continued)

Employees covered by Benefit Terms - As of the June 30, 2013 actuarial evaluation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	0
Non-vested inactive members	5
Active elsewhere in VRS	5
Total inactive members	10
Active members	12
Total covered employees	24

Contributions - The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 4.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actual rate for the Town was 7.8%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$41,879 for the year ended June 30, 2016.

Net Pension Liability – The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 20, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

NOTE 16. RETIREMENT PLAN (Continued)

Deferred Outflows/Inflows of Resources

At June 30, 2016, Town of Windsor General Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resource</u>
Net Difference between projected and actual earnings on pension plan investments	\$ -	\$ 78,326
Employer contributions subsequent to the measurement date	<u>32,833</u>	<u>-</u>
Total General Fund	<u>\$ 32,833</u>	<u>\$ 78,326</u>

At June 30, 2016, Town of Windsor Water Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resource</u>
Net Difference between projected and actual earnings on pension plan investments	\$ -	\$ 21,580
Employer contributions subsequent to the measurement date	<u>9,046</u>	<u>-</u>
Total Water Fund	<u>\$ 9,046</u>	<u>\$ 21,580</u>

Deferred outflows of resources related to pensions resulting from Town of Windsor's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>General Fund Deferred</u>	<u>Proprietary Fund Deferred</u>	<u>Total</u>
2017	\$ 22,815	\$ 6,286	\$ 29,101
2018	22,815	6,286	29,101
2019	22,814	6,285	29,099
2020	<u>9,882</u>	<u>2,723</u>	<u>12,605</u>
	<u>\$ 78,326</u>	<u>\$ 21,580</u>	<u>\$ 99,906</u>

(Continued)

NOTE 16. RETIREMENT PLAN (Continued)

Actuarial Assumptions - The total pension liability for General Employees in the Town's retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35%
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation **

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 16. RETIREMENT PLAN (continued)

Actuarial Assumptions – Public Safety Employees – The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75%
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation **

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

LEOS

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 16. RETIREMENT PLAN (continued)

Long-Term Expected Rate of Return - The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 16. RETIREMENT PLAN (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the Town for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in Net Pension Liability and Related Ratios

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2014	\$ 699,726	\$ 663,622	\$ 36,104
Changes for the fiscal year:			
Service cost	54,488	-	54,488
Interest	47,780	-	47,780
Difference between expected and actual experience	(106,941)	-	(106,941)
Contribution - employer	-	34,816	(34,816)
Contribution - employee	-	25,958	(25,958)
Net investment income	-	30,738	(30,738)
Benefit payments	(34,320)	(34,320)	-
Administrative expenses	-	(385)	385
Other changes	-	(4)	4
Balance, June 30, 2015	<u>\$ 660,733</u>	<u>\$ 720,425</u>	<u>\$ (59,692)</u>

In addition, the following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount (7.00%)	1.00% Increase (8.00%)
Town's net pension liability	<u>\$ 55,667</u>	<u>\$ (59,692)</u>	<u>\$ (152,539)</u>

NOTE 16. RETIREMENT PLAN (concluded)

Plan fiduciary net position as a percentage of the total Pension liability		109.0%
Covered-employee payroll	\$	531,257
Town's net pension liability as a percentage of covered-employee payroll		-11.2%

Schedule of Employer Contributions for the Year Ended June 30, 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 26,297	\$ 41,879	\$ (15,582)	\$ 531,257	7.9%
2015	\$ 26,138	\$ 34,090	\$ (7,952)	\$ 531,257	6.4%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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INDIVIDUAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues – Budget and Actual
General Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
General property taxes:				
Real estate tax	\$ 190,000	\$ 190,000	\$ 186,914	\$ (3,086)
Mobile home tax	4,200	4,200	2,356	(1,844)
Personal property tax	66,000	66,000	72,752	6,752
Personal property tax relief	19,525	19,525	19,527	2
Public Service Corporation tax	9,750	9,750	11,541	1,791
Penalties and interest on delinquent taxes	<u>2,750</u>	<u>2,750</u>	<u>3,464</u>	<u>714</u>
Total general property taxes	<u>292,225</u>	<u>292,225</u>	<u>296,554</u>	<u>4,329</u>
Other local taxes:				
Bank franchise tax	130,000	130,000	150,975	20,975
Communication tax	65,000	65,000	64,704	(296)
Cigarette tax	58,000	58,000	79,530	21,530
Local sales tax	85,000	85,000	89,250	4,250
Meals tax	310,000	310,000	316,855	6,855
Consumer utility tax	<u>90,000</u>	<u>90,000</u>	<u>90,822</u>	<u>822</u>
Total other local taxes	<u>738,000</u>	<u>738,000</u>	<u>792,136</u>	<u>54,136</u>
Revenue from other sources:				
Licenses:				
Merchants & other licenses	126,000	126,000	124,840	(1,160)
Motor vehicle licenses	<u>40,000</u>	<u>40,000</u>	<u>43,681</u>	<u>3,681</u>
Total licenses	166,000	166,000	168,521	2,521
Post office rental	18,000	18,000	4,500	(13,500)
Traffic fines	<u>145,000</u>	<u>145,000</u>	<u>157,747</u>	<u>12,747</u>
Total revenue from other sources	<u>329,000</u>	<u>329,000</u>	<u>330,768</u>	<u>1,768</u>
Miscellaneous revenues:				
Administrative collection fee	6,000	6,000	13,909	7,909
Cemetery plot sales	1,000	1,000	-	(1,000)
Credit card convenience fee	500	500	983	483
Other miscellaneous revenue	7,500	7,500	181,476	173,976
Zoning fees	1,500	1,500	2,650	1,150
Interest earned	<u>12,350</u>	<u>12,350</u>	<u>13,860</u>	<u>1,510</u>
Total miscellaneous revenue	<u>28,850</u>	<u>28,850</u>	<u>212,878</u>	<u>184,028</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues – Budget and Actual
General Fund
Year Ended June 30, 2016

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
Reimbursements from water fund	63,240	63,240	63,240	-
Total revenue from local sources	<u>1,451,315</u>	<u>1,451,315</u>	<u>1,695,576</u>	<u>244,261</u>
REVENUE FROM COMMONWEALTH OF VIRGINIA				
Categorical aid:				
Police 599 funding	57,289	57,289	57,288	(1)
Litter control	1,000	1,000	1,071	71
Fire program funds	<u>8,000</u>	<u>9,000</u>	<u>10,000</u>	<u>1,000</u>
Total categorical aid	<u>66,289</u>	<u>67,289</u>	<u>68,359</u>	<u>1,070</u>
Noncategorical aid:				
Mobile home titling taxes	3,500	3,500	2,076	(1,424)
DMV grant	-	-	10,298	10,298
DMV fees for DMV stops	<u>-</u>	<u>-</u>	<u>860</u>	<u>860</u>
Total non-categorical aid	<u>3,500</u>	<u>3,500</u>	<u>13,234</u>	<u>9,734</u>
Total revenue from the Commonwealth of Virginia	<u>69,789</u>	<u>70,789</u>	<u>81,593</u>	<u>10,804</u>
Total revenues	1,521,104	1,522,104	1,777,169	255,065
Transfer from reserves	<u>215,000</u>	<u>491,026</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,736,104</u>	<u>\$ 2,013,130</u>	<u>\$ 1,777,169</u>	<u>\$ 255,065</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
GENERAL GOVERNMENT ADMINISTRATION				
Legislative				
Mayor and Council compensation	\$ 9,600	\$ 9,600	\$ 8,815	\$ 785
Advertising	1,700	1,700	474	1,226
Audit	15,000	15,000	15,000	-
Special meetings	500	500	299	201
Travel and training	7,000	7,000	5,830	1,170
Total legislative expenses	<u>33,800</u>	<u>33,800</u>	<u>30,418</u>	<u>3,382</u>
Legal				
Legal services	27,000	27,000	18,001	8,999
Dues and subscriptions	350	350	240	110
Publications	300	300	-	300
Supplies	100	100	-	100
Travel and training	500	500	-	500
Total legal expenses	<u>28,250</u>	<u>28,250</u>	<u>18,241</u>	<u>10,009</u>
General Management				
Salaries and wages	112,408	112,408	128,832	(16,424)
Overtime	1,500	1,500	-	1,500
Non-compensation expenses:				
FICA	9,075	9,075	7,290	1,785
Health Insurance	22,050	22,050	20,753	1,297
Retirement	8,121	8,121	8,988	(867)
Life Insurance	3,020	3,020	1,958	1,062
Advertising	500	500	380	120
Bank fees	900	900	1,186	(286)
DMV stop fee	-	-	880	(880)
Dues and subscriptions	4,000	4,000	4,354	(354)
Education - Town Manager	-	-	1,541	(1,541)
Equipment	3,500	3,500	2,851	649
Equipment rental	6,000	6,000	5,580	420
Information technology	27,680	27,680	29,820	(2,140)
Maintenance contracts	5,000	5,000	4,012	988
Postal services	7,100	7,100	7,014	86
Professional services	15,000	136,500	19,785	116,715
Publications	2,000	2,000	1,883	117
Supplies	9,500	9,500	6,341	3,159
Telephone-communications	7,000	7,000	7,443	(443)
Travel and training	15,000	15,000	12,887	2,113
Vehicle allowance	4,800	4,800	4,800	-
Total general management	<u>264,154</u>	<u>385,654</u>	<u>278,578</u>	<u>107,076</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended June 30, 2016

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 283,679	\$ 283,679	\$ 289,711	\$ (6,032)
Overtime	25,000	25,000	19,812	5,188
Non-compensation expenses:				
FICA	21,705	21,705	21,157	548
Health insurance	64,340	64,340	56,524	7,816
Retirement	18,950	18,950	17,746	1,204
Life insurance	3,750	3,750	3,613	137
Advertising	500	500	408	92
Building - Utilities	6,500	6,500	3,837	2,663
Building - Equipment rental	3,000	3,000	1,766	1,234
Building - Maintenance	3,000	3,000	1,760	1,240
Community relations	500	500	302	198
Dues and subscriptions	1,250	1,250	815	435
Equipment	17,800	21,300	29,501	(8,201)
DMV grant disbursements	-	11,800	8,575	3,225
Information technology	2,500	2,500	353	2,147
Investigations	1,000	1,000	1,000	-
Postage	250	250	250	-
Supplies	3,000	3,000	1,900	1,100
Telephone-communications	12,000	12,000	12,395	(395)
Travel and training	9,000	9,000	6,514	2,486
Vehicle fuel and tires	40,000	36,500	20,123	16,377
Vehicle repairs and maintenance	17,000	17,000	18,299	(1,299)
Total police	<u>534,724</u>	<u>546,524</u>	<u>516,361</u>	<u>30,163</u>
Fire Department				
Grant	<u>8,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total fire department	<u>8,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total public safety	<u>542,724</u>	<u>555,524</u>	<u>525,361</u>	<u>30,163</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended June 30, 2016

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC WORKS				
Public works and property maintenance				
Salaries and wages	\$ 43,325	\$ 43,325	\$ 56,380	\$ (13,055)
Overtime	2,000	2,000	110	1,890
Part-time temporary	15,953	15,953	9,871	6,082
Non-compensation expenses:				
FICA	3,830	3,830	2,808	1,022
Health insurance	9,650	9,650	10,380	(730)
Retirement	2,900	2,900	3,116	(216)
Life insurance	575	575	616	(41)
Building repairs and maintenance	14,370	14,370	12,444	1,926
Clothing - uniforms	500	500	537	(37)
Equipment	3,500	3,500	1,896	1,604
Equipment rental	500	500	-	500
Equipment repairs and maintenance	5,000	5,000	4,968	32
Rental property repairs and maintenance	2,500	2,500	859	1,641
Street and sidewalk maintenance	10,000	10,000	4,419	5,581
Street light utilities	35,000	35,000	28,904	6,096
Utilities	11,000	11,000	9,021	1,979
Vehicle fuel	4,000	4,000	2,264	1,736
Vehicle repairs and maintenance	1,000	1,000	1,001	(1)
Total public works and property maintenance	<u>165,603</u>	<u>165,603</u>	<u>149,594</u>	<u>16,009</u>
Refuse collection				
Residential collection	73,000	73,000	64,519	8,481
Seasonal clean-ups	3,000	3,000	950	2,050
Total refuse collection	<u>76,000</u>	<u>76,000</u>	<u>65,469</u>	<u>10,531</u>
Total public works	<u>241,603</u>	<u>241,603</u>	<u>215,063</u>	<u>26,540</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended June 30, 2016

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
COMMUNITY DEVELOPMENT				
Planning and community development				
Salaries and wages	\$ 49,000	\$ 49,000	\$ 53,602	\$ (4,602)
Compensation - Planning Commission	2,200	2,200	2,200	-
Non-compensation expense:				
FICA	3,755	3,755	3,422	333
Health insurance	10,725	10,725	11,136	(411)
Retirement	3,275	3,275	3,399	(124)
Life insurance	650	650	672	(22)
Advertising	1,500	1,500	307	1,193
Dues and subscriptions	500	500	50	450
Professional services	2,600	600	-	600
Publications	100	100	-	100
Supplies	200	200	30	170
Telephone-communications	650	650	600	50
Travel and training	2,685	4,685	3,663	1,022
Vehicle fuel	500	500	424	76
Vehicle repairs and maintenance	300	300	128	172
Total planning and community development	<u>78,640</u>	<u>78,640</u>	<u>79,633</u>	<u>(993)</u>
Cultural events				
4th of July Celebration	5,000	5,000	5,111	(111)
Christmas Holidays	300	300	457	(157)
Other events	5,000	5,000	4,059	941
Total cultural events	<u>10,300</u>	<u>10,300</u>	<u>9,627</u>	<u>673</u>
Economic development				
Chamber of Commerce:				
Dues and subscriptions	3,500	3,500	3,500	-
Activities	750	750	342	408
Business appreciation	1,000	1,000	-	1,000
Other economic development activities	5,000	5,000	5,000	-
Total economic development	<u>10,250</u>	<u>10,250</u>	<u>8,842</u>	<u>1,408</u>
Total community development	<u>99,190</u>	<u>99,190</u>	<u>98,102</u>	<u>1,088</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended June 30, 2016

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
CAPITAL OUTLAY				
Police vehicles	\$ 39,000	\$ 39,000	\$ 69,872	\$ (30,872)
Information technology upgrades	5,000	5,000	-	5,000
Financial software upgrade	36,000	36,000	41,762	(5,762)
Future space needs	75,000	75,000	-	75,000
Street lights extension	2,000	2,000	-	2,000
Construction of public works building	115,000	115,000	18,086	96,914
Police department technology	10,000	10,000	-	10,000
Space needs sinking fund	100,000	100,000	-	100,000
Space needs professional services	<u>25,350</u>	<u>25,350</u>	<u>-</u>	<u>25,350</u>
Total capital outlay	<u>407,350</u>	<u>407,350</u>	<u>129,720</u>	<u>277,630</u>
NON-DEPARTMENTAL				
Contingency	16,833	159,559	59,565	99,994
Contribution - Library	1,200	1,200	1,200	-
Contribution - TRIAD	1,000	1,000	1,000	-
Insurance	35,000	35,000	31,942	3,058
Payments to other governments	<u>65,000</u>	<u>65,000</u>	<u>41,112</u>	<u>23,888</u>
Total non-departmental	<u>119,033</u>	<u>261,759</u>	<u>134,819</u>	<u>126,940</u>
Total expenditures	<u>\$ 1,736,104</u>	<u>\$ 2,013,130</u>	<u>\$ 1,430,302</u>	<u>\$ 582,828</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Computation of Legal Debt Margin
Year Ended June 30, 2016

Total assessed value of taxed real property	<u>\$ 194,256,300</u>
Legal debt limit:	
10 percent of total assessed value of taxable property	19,425,630
Less:	
General obligation bonds outstanding	<u>1,422,869</u>
Legal debt margin	<u>\$ 18,002,761</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.

STATISTICAL SECTION

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

Fiscal Year Ended June 30	Charges for Services	Operating Grants and Contributions	General Property Taxes	Miscellaneous Revenue and Other Local Taxes	Investment Earnings	Totals
2008	\$ 479,497	\$ 77,622	\$ 259,415	\$ 655,031	\$ 46,257	\$ 1,517,822
2009	556,365	117,343	312,852	747,494	22,772	1,756,826
2010	741,584	89,068	308,117	716,194	43,080	1,898,043
2011	740,537	94,788	294,556	726,887	8,441	1,865,209
2012	657,976	162,045	296,978	765,963	28,257	1,911,219
2013	793,363	132,108	291,614	876,936	16,901	2,110,922
2014	822,709	121,971	293,041	914,407	16,689	2,168,817
2015	1,033,657	90,740	300,118	945,592	17,602	2,387,709
2016	1,000,909	78,657	296,553	933,821	18,642	2,328,582

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

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Miscellaneous	Inter- Governmental	Totals
2007	203,287	639,594	140,354	24,811	1,008,046
2008	259,416	681,312	218,775	88,287	1,247,790
2009	303,725	784,127	174,687	110,429	1,372,968
2010	308,117	589,314	299,526	292,797	1,489,754
2011	294,556	598,974	476,909	177,591	1,548,030
2012	301,505	635,768	406,257	160,309	1,503,839
2013	291,614	721,780	508,278	136,850	1,658,522
2014	293,061	753,147	433,597	189,357	1,669,162
2015	300,117	791,717	529,585	159,464	1,780,883
2016	296,554	792,136	543,692	144,833	1,777,215

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

Fiscal Year Ended June 30	General Administration	Public Safety	Public Works	Community Development	Water Services	Cemetery	Non- departmental	Totals
2008	\$ 508,797	\$ 385,767	\$ 126,423	\$ 20,622	\$ 476,176	\$ 2,111	\$ 49,090	\$ 1,568,986
2009	496,292	436,382	116,126	15,515	467,726	2,276	38,490	1,572,807
2010	456,512	435,309	223,313	72,097	499,608	7,091	74,129	1,768,059
2011	405,389	396,341	259,180	76,110	520,452	-	75,424	1,732,896
2012	320,860	572,075	214,324	84,129	548,391	-	76,628	1,816,407
2013	365,563	555,873	232,768	85,810	541,407	-	63,009	1,844,430
2014	352,333	516,406	227,780	96,435	548,843	-	88,531	1,830,328
2015	328,536	553,046	213,844	84,216	462,470	-	105,751	1,747,863
2016	350,177	600,617	221,366	97,552	455,748	-	134,819	1,860,279

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

Fiscal Year Ended June 30	General Administration	Public Safety	Public Works	Community Development	Capital Outlay	Non- departmental	Debt Service	Total
2007	389,408	265,780	110,453	18,354	76,920	23,893	-	884,808
2008	425,239	385,767	126,423	20,622	96,459	49,090	-	1,103,600
2009	418,599	436,382	116,126	15,515	9,052	38,490	-	1,034,164
2010	364,373	456,700	223,313	72,097	58,451	74,129	-	1,249,063
2011	386,726	440,151	236,531	76,110	81,834	75,424	-	1,296,776
2012	323,214	533,566	191,674	84,129	1,096,747	76,628	-	2,305,958
2013	328,781	517,850	208,726	85,809	531,129	63,009	114,861	1,850,165
2014	311,119	452,170	203,008	96,435	208,191	88,531	115,328	1,474,782
2015	285,444	481,373	218,127	85,560	91,070	105,752	324,386	1,591,712
2016	327,237	525,361	215,063	98,102	129,720	134,819	-	1,430,302

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
2007	\$ 170,233,000	\$ 25,628,613	\$ 3,605,725	\$ 390,186	\$ 199,857,524
2008	177,637,100	25,129,326	4,917,427	585,997	208,269,850
2009	198,682,100	26,802,743	5,327,000	580,940	231,392,783
2010	199,729,947	24,044,087	6,139,873	558,683	230,472,590
2011	199,523,700	24,073,454	6,538,981	591,852	230,727,987
2012	200,454,800	25,202,983	5,876,794	621,606	232,156,183
2013	198,099,100	26,774,815	7,351,636	560,870	232,786,421
2014	198,153,400	26,957,484	7,419,285	542,060	233,072,229
2015	200,770,800	27,402,235	7,636,319	630,350	236,439,704
2016	194,256,300	27,125,153	7,698,204	783,315	229,862,972

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
2007	\$ 0.08	\$ 0.50	\$ 0.10	\$ 0.08
2008	0.10	0.50	0.10	0.08
2009	0.10	0.50	0.10	0.08
2010	0.10	0.50	0.10	0.10
2011	0.10	0.50	0.10	0.10
2012	0.10	0.50	0.10	0.10
2013	0.10	0.50	0.10	0.10
2014	0.10	0.50	0.10	0.10
2015	0.10	0.50	0.10	0.10
2016	0.10	0.50	0.10	0.10

NOTE: Per \$100 of assessed value.

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2007	\$ 213,600	\$ 199,999	93.63%	\$ 1,194	\$ 201,193	94.19%	\$ 24,060	11.26%
2008	262,468	246,069	93.75%	516	246,585	93.95%	20,470	7.80%
2009	338,615	291,911	86.21%	921	292,832	86.48%	48,448	14.31%
2010	318,084	301,268	94.71%	12,934	314,202	98.78%	54,996	17.29%
2011	315,787	298,748	94.60%	14,165	312,913	99.09%	55,494	17.57%
2012	320,179	304,162	95.00%	23,970	328,132	102.48%	47,541	14.85%
2013	312,352	267,375	85.60%	10,384	277,759	88.92%	53,109	17.00%
2014	313,147	260,198	83.09%	9,697	269,895	86.19%	39,214	12.52%
2015	332,408	270,116	81.26%	6,793	276,909	83.30%	40,666	12.23%
2016	311,352	256,345	82.33%	5,006	261,351	83.94%	46,801	15.03%

COMPLIANCE SECTION

DRAFT

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

The Honorable Members of Town Council
Town of Windsor, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windsor, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Windsor, Virginia's basic financial statements, and have issued our report thereon dated March 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Windsor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Windsor, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windsor, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies that we would consider to be significant deficiencies.

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

Compliance and Other Matters

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

Purpose of this Report

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

Newport News, Virginia

March 27, 2017

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TOWN OF WINDSOR, VIRGINIA
Schedule of Findings and Questioned Costs
June 30, 2016

FINDINGS – FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCY

2010-1 – Financial Statements

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

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

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

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

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