

TOWN OF WINDSOR, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TOWN OF WINDSOR, VIRGINIA

ANNUAL FINANCIAL REPORT

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TOWN OF WINDSOR, VIRGINIA

TOWN COUNCIL

Walter Bernacki
N. Macon Edwards, III
Patty Fleming

Carita Richardson, Mayor

Tony Ambrose
Durwood V. Scott
Greg Willis

GENERAL TOWN GOVERNMENT

Town Manager
Town Clerk
Town Treasurer
Town Attorney

Michael Stallings
Terry Whitehead
Christy Jernigan
Wallace W. Brittle, Jr.

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TOWN OF WINDSOR, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2018

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 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Town Council
Town of Windsor
Windsor, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Windsor, Virginia, as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Windsor, Virginia, as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Net Balances

As described in Note 15 to the financial statements, in 2018, the Town restated beginning net balances to reflect the requirements of GASB Statement No. 75. 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 budgetary comparison information and schedules related to pension and OPEB funding on pages 69-71 and 72-78 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Windsor, Virginia's basic financial statements. The other supplementary information and other statistical information 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 applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional 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 other statistical information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Windsor, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Windsor, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
June 14, 2019

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Windsor, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	EDA	Community Recreation Center
ASSETS					
Cash and cash equivalents	\$ 1,551,427	\$ 549,953	\$ 2,101,380	\$ 21,383	\$ 778,310
Cash and cash equivalents, restricted	115,838	-	115,838	-	-
Investments	-	282,387	282,387	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,759	-	12,759	-	-
Accounts receivable	117,422	13,275	130,697	-	-
Due from other governmental units	22,259	-	22,259	-	-
Internal balances	137,821	(137,821)	-	-	-
Prepaid items	17,971	-	17,971	-	-
Net pension asset	49,458	-	49,458	-	-
Capital assets (net of accumulated depreciation):					
Land	1,558,118	40,211	1,598,329	-	-
Buildings and improvements	639,543	1,123,061	1,762,604	-	-
Water mains	-	57,577	57,577	-	-
Machinery and equipment	131,907	31,648	163,555	-	-
Software	238,102	-	238,102	-	-
Infrastructure	129,217	-	129,217	-	-
Total assets	\$ 4,721,842	\$ 1,960,291	\$ 6,682,133	\$ 21,383	\$ 778,310
DEFERRED OUTFLOW OF RESOURCES					
Pension related items	\$ 70,926	\$ -	\$ 70,926	\$ -	\$ -
OPEB related items	3,156	-	3,156	-	-
Total deferred outflow of resources	\$ 74,082	\$ -	\$ 74,082	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 18,651	\$ 3,498	\$ 22,149	\$ -	\$ -
Accrued liabilities	18,848	-	18,848	-	-
Accrued interest payable	-	3,821	3,821	-	-
Customer deposits payable	-	43,044	43,044	-	-
Long-term liabilities:					
Due within one year	66,978	54,949	121,927	-	-
Due in more than one year	113,563	1,173,268	1,286,831	-	-
Total liabilities	\$ 218,040	\$ 1,278,580	\$ 1,496,620	\$ -	\$ -
DEFERRED INFLOW OF RESOURCES					
Pension related items	\$ 76,896	\$ -	\$ 76,896	\$ -	\$ -
OPEB related items	5,000	-	5,000	-	-
Total deferred inflow of resources	\$ 81,896	\$ -	\$ 81,896	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 2,636,972	\$ 24,280	\$ 2,661,252	\$ -	\$ -
Restricted	115,838	-	115,838	-	-
Unrestricted	1,743,178	657,431	2,400,609	21,383	778,310
Total net position	\$ 4,495,988	\$ 681,711	\$ 5,177,699	\$ 21,383	\$ 778,310

The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 593,158	\$ -	\$ -	\$ -
Public safety	617,471	132,685	85,087	-
Public works	317,458	3,875	1,006	-
Parks, recreation, and cultural	13,229	-	-	-
Community development	840,374	-	-	-
Interest on long-term debt	862	-	-	-
Total governmental activities	\$ 2,382,552	\$ 136,560	\$ 86,093	\$ -
Business-type activities:				
Water	\$ 285,646	\$ 519,712	\$ -	\$ -
Total business-type activities	\$ 285,646	\$ 519,712	\$ -	\$ -
Total primary government	\$ 2,668,198	\$ 656,272	\$ 86,093	\$ -
COMPONENT UNITS:				
Discretely presented component unit:				
Economic Development Authority	\$ -	\$ 5,000	\$ -	\$ -
Community Recreation Center	300,337	-	826,400	-
Total component units	\$ 300,337	\$ 5,000	\$ 826,400	\$ -

General property taxes
Other local taxes:
 Local sales and use tax
 Business license tax
 Restaurant food tax
 Bank franchise taxes
 Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Transfers
 Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

The notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	EDA	Community Recreation Center	
\$ (593,158)	\$ -	\$ (593,158)	\$ -	\$ -	\$ -
(399,699)	-	(399,699)	-	-	-
(312,577)	-	(312,577)	-	-	-
(13,229)	-	(13,229)	-	-	-
(840,374)	-	(840,374)	-	-	-
(862)	-	(862)	-	-	-
<u>\$ (2,159,899)</u>	<u>\$ -</u>	<u>\$ (2,159,899)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 234,066	\$ 234,066	\$ -	\$ -	\$ -
\$ -	\$ 234,066	\$ 234,066	\$ -	\$ -	\$ -
<u>\$ (2,159,899)</u>	<u>\$ 234,066</u>	<u>\$ (1,925,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ -
-	-	-	-	-	526,063
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 526,063</u>
\$ 297,673	\$ -	\$ 297,673	\$ -	\$ -	\$ -
106,272	-	106,272	-	-	-
132,430	-	132,430	-	-	-
324,361	-	324,361	-	-	-
146,743	-	146,743	-	-	-
219,608	-	219,608	-	-	-
15,129	3,595	18,724	37	-	911
77,177	-	77,177	-	-	-
83,341	-	83,341	-	-	-
264,088	(264,088)	-	-	-	-
<u>\$ 1,666,822</u>	<u>\$ (260,493)</u>	<u>\$ 1,406,329</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 911</u>
<u>\$ (493,077)</u>	<u>\$ (26,427)</u>	<u>\$ (519,504)</u>	<u>\$ 5,037</u>	<u>\$ -</u>	<u>\$ 526,974</u>
4,989,065	708,138	5,697,203	16,346	-	251,336
<u>\$ 4,495,988</u>	<u>\$ 681,711</u>	<u>\$ 5,177,699</u>	<u>\$ 21,383</u>	<u>\$ -</u>	<u>\$ 778,310</u>

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FUND FINANCIAL STATEMENTS

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Town of Windsor, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	Future Development <u>Fund</u>	Forfeited <u>Assets Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 974,036	\$ 577,391	\$ -	\$ 1,551,427
Cash and cash equivalents, restricted	113,375	-	2,463	115,838
Receivables (net of allowance for uncollectibles):				
Taxes receivable	12,759	-	-	12,759
Accounts receivable	117,422	-	-	117,422
Due from other funds	137,821	-	-	137,821
Due from other governmental units	22,259	-	-	22,259
Prepaid items	17,971	-	-	17,971
Total assets	<u>\$ 1,395,643</u>	<u>\$ 577,391</u>	<u>\$ 2,463</u>	<u>\$ 1,975,497</u>
LIABILITIES				
Accounts payable	\$ 18,651	\$ -	\$ -	\$ 18,651
Accrued liabilities	18,848	-	-	18,848
Total liabilities	<u>\$ 37,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,499</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 12,355	\$ -	\$ -	\$ 12,355
Total deferred inflow of resources	<u>\$ 12,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,355</u>
FUND BALANCES				
Nonspendable	\$ 17,971	\$ -	\$ -	\$ 17,971
Restricted	113,375	-	2,463	115,838
Assigned	-	577,391	-	577,391
Unassigned	1,214,443	-	-	1,214,443
Total fund balances	<u>\$ 1,345,789</u>	<u>\$ 577,391</u>	<u>\$ 2,463</u>	<u>\$ 1,925,643</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,395,643</u>	<u>\$ 577,391</u>	<u>\$ 2,463</u>	<u>\$ 1,975,497</u>

The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 1,925,643
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,696,887
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 12,355	
Net pension asset	<u>49,458</u>	61,813
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 70,926	
OPEB related items	<u>3,156</u>	74,082
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Compensated absences	\$ (70,626)	
Net OPEB liability	(50,000)	
Capital leases	<u>(59,915)</u>	(180,541)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (76,896)	
OPEB related items	<u>(5,000)</u>	(81,896)
Net position of governmental activities		<u><u>\$ 4,495,988</u></u>

The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	Future Development <u>Fund</u>	Forfeited <u>Assets Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 294,737	\$ -	\$ -	\$ 294,737
Other local taxes	929,414	-	-	929,414
Permits, privilege fees, and regulatory licenses	3,875	-	-	3,875
Fines and forfeitures	132,685	-	-	132,685
Revenue from the use of money and property	13,379	1,747	3	15,129
Miscellaneous	77,177	-	-	77,177
Intergovernmental:				
Commonwealth	153,479	-	2,035	155,514
Federal	13,920	-	-	13,920
Total revenues	<u>\$ 1,618,666</u>	<u>\$ 1,747</u>	<u>\$ 2,038</u>	<u>\$ 1,622,451</u>
EXPENDITURES				
Current:				
General government administration	\$ 447,565	\$ -	\$ -	\$ 447,565
Public safety	576,873	-	-	576,873
Public works	312,030	-	-	312,030
Parks, recreation, and cultural	12,029	-	-	12,029
Community development	38,672	501,349	-	540,021
Nondepartmental	419,962	-	-	419,962
Capital projects	204,064	-	-	204,064
Debt service:				
Principal retirement	60,085	-	-	60,085
Interest and other fiscal charges	862	-	-	862
Total expenditures	<u>\$ 2,072,142</u>	<u>\$ 501,349</u>	<u>\$ -</u>	<u>\$ 2,573,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (453,476)</u>	<u>\$ (499,602)</u>	<u>\$ 2,038</u>	<u>\$ (951,040)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 266,653	\$ 90,000	\$ -	\$ 356,653
Transfers out	(90,000)	-	(2,565)	(92,565)
Issuance of capital lease	120,000	-	-	120,000
Total other financing sources (uses)	<u>\$ 296,653</u>	<u>\$ 90,000</u>	<u>\$ (2,565)</u>	<u>\$ 384,088</u>
Net change in fund balances	\$ (156,823)	\$ (409,602)	\$ (527)	\$ (566,952)
Fund balances - beginning, as restated	1,502,612	986,993	2,990	2,492,595
Fund balances - ending	<u>\$ 1,345,789</u>	<u>\$ 577,391</u>	<u>\$ 2,463</u>	<u>\$ 1,925,643</u>

The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ (566,952)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 225,739	
Depreciation expense	<u>(130,533)</u>	95,206

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	2,936
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. A summary of items supporting this adjustment is as follows:

Issuance of capital lease	\$ (120,000)	
Principal retirement on capital lease	<u>60,085</u>	\$ (59,915)

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. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ 15,400	
Pension expense	18,092	
OPEB expense	<u>2,156</u>	35,648

Change in net position of governmental activities	<u><u>\$ (493,077)</u></u>
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The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund
	<u>Water</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 549,953
Investments	282,387
Accounts receivables, net of allowance for uncollectibles	13,275
Total current assets	\$ 845,615
Noncurrent assets:	
Capital assets:	
Land	\$ 40,211
Structures and improvements	1,123,061
Water mains	57,577
Meters and equipment	31,648
Total net capital assets	\$ 1,252,497
Total noncurrent assets	\$ 1,252,497
Total assets	\$ 2,098,112
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,498
Accrued interest payable	3,821
Customer deposits payable	43,044
Due to other funds	137,821
Bonds payable - current portion	54,949
Total current liabilities	\$ 243,133
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 1,173,268
Total noncurrent liabilities	\$ 1,173,268
Total liabilities	\$ 1,416,401
NET POSITION	
Net investment in capital assets	\$ 24,280
Unrestricted	657,431
Total net position	\$ 681,711

The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
	<u>Water</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 483,123
Penalties	12,131
Total operating revenues	\$ 495,254
OPERATING EXPENSES	
Professional services	\$ 15,194
Repairs and maintenance	49,604
Maintenance contracts	25,660
Utilities	19,198
Water system mapping	11,130
Other supplies and expenses	15,143
Depreciation	107,506
Total operating expenses	\$ 243,435
Operating income (loss)	\$ 251,819
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 24,458
Interest income	3,595
Interest expense	(42,211)
Total nonoperating revenues (expenses)	\$ (14,158)
Income (loss) before transfers	\$ 237,661
Transfers out	\$ (264,088)
Change in net position	\$ (26,427)
Total net position - beginning, as restated	708,138
Total net position - ending	\$ 681,711

The notes to financial statements are an integral part of this statement.

Town of Windsor, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Enterprise Fund
	Water
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 500,565
Payments for operating expenses	(138,677)
Net cash provided by (used for) operating activities	\$ 361,888
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (132,044)
Net cash provided by (used for) noncapital financing activities	\$ (132,044)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (53,313)
Connection and reconnection fees	24,458
Interest payments	(40,213)
Net cash provided by (used for) capital and related financing activities	\$ (69,068)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 788
Net cash provided (used) by investing activities	\$ 788
Net increase (decrease) in cash and cash equivalents	\$ 161,564
Cash and cash equivalents - beginning	388,389
Cash and cash equivalents - ending	\$ 549,953
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 251,819
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	107,506
(Increase) decrease in accounts receivable	14,012
Increase (decrease) in customer deposits payable	(8,701)
Increase (decrease) in accounts payable	(2,748)
Total adjustments	\$ 110,069
Net cash provided by (used for) operating activities	\$ 361,888

The notes to financial statements are an integral part of this statement.

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies:

Town of Windsor, Virginia (the "Town") is governed by an elected six member Council and an elected Mayor. The Town provides a full range of services for its citizens. These services include police, public improvements, general administration services, recreation, sanitation services, and utilities.

The financial statements of Town of Windsor, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Town's accounting policies are described below.

Financial Statement Presentation - The Town's financial report is prepared in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). The Town has chosen not to present a Management's Discussion and Analysis.

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

Government-wide and Fund Financial Statements (Continued)

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Town of Windsor (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2018.

Discretely Presented Component Units. The Windsor Economic Development Authority (EDA) was created to promote industry and develop trade by encouraging enterprises to locate and remain in the Town. The EDA is governed by a Board of Directors appointed by Town Council and the Town is financially accountable for the EDA. The Community Recreation Center serves as a recreation center as well as a meeting and event venue. The Windsor Town Center Advisory Board governs the Community Recreation Center, which is appointed by Town Council. Neither of these discretely presented component units issues a separate financial report.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. 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 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.

b. Special Revenue Funds

Special Revenue Funds account for and report the proceeds for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or certified projects. The only special revenue funds are the Forfeited Asset Fund and Future Development Fund, which are considered major funds.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

a. Water Fund

The water fund accounts for the financing of water services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues consist of charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the Town.

E. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

F. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Receivables and Payables (Continued)

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 amounted to approximately \$37,419 at June 30, 2018 and is comprised of property taxes of \$29,930, and water and sewer charges of \$7,489.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	December 5	December 5

The Town bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred during fiscal year 2018.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Infrastructure	10-25
Water mains	5-25
Machinery and Equipment	5-10
Software	3-20

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Compensated Absences

Vested or accumulated vacation and compensatory leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and compensatory leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

J. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

L. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

M. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General	Future Development Fund	Forfeited Assets Fund	Total
Fund balances:				
Nonspendable:				
Prepaid items	\$ 17,971	\$ -	\$ -	\$ 17,971
Restricted:				
Cemetery	\$ 113,375	\$ -	\$ -	\$ 113,375
Asset forfeiture	-	-	2,463	2,463
Total restricted fund balance	<u>\$ 113,375</u>	<u>\$ -</u>	<u>\$ 2,463</u>	<u>\$ 115,838</u>
Assigned:				
Future development	\$ -	\$ 577,391	\$ -	\$ 577,391
Unassigned	<u>\$ 1,214,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,214,443</u>
Total fund balances	<u><u>\$ 1,345,789</u></u>	<u><u>\$ 577,391</u></u>	<u><u>\$ 2,463</u></u>	<u><u>\$ 1,925,643</u></u>

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liability(ies) are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 1—Summary of Significant Accounting Policies: (Continued)

P. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Other Postemployment Benefits (OPEB)

1. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2—Stewardship, Compliance, and Accounting:

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 2—Stewardship, Compliance, and Accounting: (Continued)

6. Appropriations lapse on June 30, every year.
7. All budgetary data presented in the accompanying financial statements is from the revised budget as of June 30, 2018, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2018.

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Note 4—Due to/from Other Governments:

At June 30, 2018, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Commonwealth of Virginia:	
Local sales and use taxes	\$ 18,614
Mobile home titling tax	75
Federal Government:	
DMV grant	<u>3,570</u>
Total due from other governments	<u><u>\$ 22,259</u></u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,558,118	\$ -	\$ -	\$ 1,558,118
Construction in progress	218,921	82,011	300,932	-
Total capital assets not subject to depreciation	<u>\$ 1,777,039</u>	<u>\$ 82,011</u>	<u>\$ 300,932</u>	<u>\$ 1,558,118</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,123,986	\$ 50,298	\$ -	\$ 1,174,284
Infrastructure	263,544	-	-	263,544
Machinery and equipment	489,014	143,728	-	632,742
Software	45,860	250,634	-	296,494
Total capital assets subject to depreciation	<u>\$ 1,922,404</u>	<u>\$ 444,660</u>	<u>\$ -</u>	<u>\$ 2,367,064</u>
Accumulated depreciation:				
Buildings and improvements	\$ 492,876	\$ 41,865	\$ -	\$ 534,741
Infrastructure	122,931	11,396	-	134,327
Machinery and equipment	436,095	64,740	-	500,835
Software	45,860	12,532	-	58,392
Total accumulated depreciation	<u>\$ 1,097,762</u>	<u>\$ 130,533</u>	<u>\$ -</u>	<u>\$ 1,228,295</u>
Total capital assets subject to depreciation, net	<u>\$ 824,642</u>	<u>\$ 314,127</u>	<u>\$ -</u>	<u>\$ 1,138,769</u>
Governmental activities capital assets, net	<u><u>\$ 2,601,681</u></u>	<u><u>\$ 396,138</u></u>	<u><u>\$ 300,932</u></u>	<u><u>\$ 2,696,887</u></u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 40,211	\$ -	\$ -	\$ 40,211
Total capital assets not subject to depreciation	\$ 40,211	\$ -	\$ -	\$ 40,211
Capital assets subject to depreciation:				
Structures and improvements	\$ 2,364,854	\$ -	\$ -	\$ 2,364,854
Water mains	1,589,888	-	-	1,589,888
Meters and equipment	509,694	-	-	509,694
Total capital assets subject to depreciation	\$ 4,464,436	\$ -	\$ -	\$ 4,464,436
Accumulated depreciation:				
Structures and improvements	\$ 1,162,092	\$ 79,701	\$ -	\$ 1,241,793
Water mains	1,515,476	16,835	-	1,532,311
Meters and equipment	467,076	10,970	-	478,046
Total accumulated depreciation	\$ 3,144,644	\$ 107,506	\$ -	\$ 3,252,150
Total capital assets subject to depreciation, net	\$ 1,319,792	\$ (107,506)	\$ -	\$ 1,212,286
Business-type activities capital assets, net	\$ 1,360,003	\$ (107,506)	\$ -	\$ 1,252,497

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 37,665
Public safety	80,735
Public works	<u>12,133</u>
Total depreciation expense - governmental activities	<u>\$ 130,533</u>
Business-type activities:	
Water fund	<u>\$ 107,506</u>
Total depreciation expense - primary government	<u><u>\$ 238,039</u></u>

Note 6—Long-term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year-ended June 30, 2018:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Capital lease	\$ -	\$ 120,000	\$ 60,085	\$ 59,915	\$ 59,915
Net OPEB liability	57,000	1,000	8,000	50,000	-
Compensated absences	<u>86,026</u>	<u>8,603</u>	<u>24,003</u>	<u>70,626</u>	<u>7,063</u>
Total Governmental Activities	<u>\$ 143,026</u>	<u>\$ 129,603</u>	<u>\$ 92,088</u>	<u>\$ 180,541</u>	<u>\$ 66,978</u>
Business-type Activities:					
General obligation bond	\$ 640,000	\$ -	\$ 34,000	\$ 606,000	\$ 35,000
Rural development bond	<u>641,530</u>	<u>-</u>	<u>19,313</u>	<u>622,217</u>	<u>19,949</u>
Total Business-type Activities	<u>\$ 1,281,530</u>	<u>\$ -</u>	<u>\$ 53,313</u>	<u>\$ 1,228,217</u>	<u>\$ 54,949</u>
Total Primary Government	<u><u>\$ 1,424,556</u></u>	<u><u>\$ 129,603</u></u>	<u><u>\$ 145,401</u></u>	<u><u>\$ 1,408,758</u></u>	<u><u>\$ 121,927</u></u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2019	<u>\$ 59,915</u>	<u>\$ 1,032</u>
Total	<u><u>\$ 59,915</u></u>	<u><u>\$ 1,032</u></u>

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

Year Ending June 30	Business-type Activities			
	General Obligation Bond		Rural Development Bond	
	Principal	Interest	Principal	Interest
2019	\$ 35,000	\$ 18,604	19,949	19,927
2020	36,000	17,530	20,607	19,269
2021	38,000	16,424	21,287	18,589
2022	39,000	15,258	21,990	17,886
2023	40,000	14,060	22,715	17,161
2024	41,000	12,832	23,464	16,412
2025	42,000	11,574	24,238	15,638
2026	44,000	10,284	25,038	14,838
2027	45,000	8,934	25,864	14,012
2028	46,000	7,552	26,717	13,159
2029	48,000	6,140	27,598	12,278
2030	49,000	4,666	28,509	11,367
2031	51,000	3,162	29,449	10,427
2032	52,000	1,596	30,421	9,455
2033	-	-	31,424	8,452
2034	-	-	32,461	7,415
2035	-	-	33,532	6,344
2036	-	-	34,638	5,238
2037	-	-	35,781	4,095
2038	-	-	36,961	2,915
2039	-	-	38,180	1,696
2040	-	-	31,394	453
Total	<u>\$ 606,000</u>	<u>\$ 148,616</u>	<u>\$ 622,217</u>	<u>\$ 247,026</u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>Capital Lease:</u>	
\$120,000 capital lease issued August 31, 2017, due in annual installments of \$60,947 through February 2019 with interest due annually at 1.69%	\$ 59,915
Net OPEB liability	50,000
Compensated absences	<u>70,626</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 180,541</u>
<u>Business-type Activities:</u>	
<u>General Obligation Bond:</u>	
\$769,214 general obligation bond issued October 2012, due in varying semi-annual installments through September 2040 with interest due semi-annually at 3.07%	\$ 606,000
<u>Rural Development Bond:</u>	
\$879,000 rural development bond issued March 3, 2010, due in monthly installments of \$3,323 through April 2040 with interest due monthly at 3.25%	<u>622,217</u>
Total Long-term Obligations, Business-type Activities	<u>\$ 1,228,217</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 1,408,758</u></u>

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of three (3) police cars. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7—Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Equipment	\$ 120,000
Less: accumulated depreciation	<u>(24,000)</u>
Total	<u><u>\$ 96,000</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2019	<u>\$ 60,947</u>
Total minimum lease payments	\$ 60,947
Less: amount representing interest	<u>(1,032)</u>
Present value of minimum lease payments	<u><u>\$ 59,915</u></u>

Note 8—Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$12,355 at June 30, 2018.

Note 9—Litigation:

At June 30, 2018, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 10—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee dishonesty. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with VML Insurance Programs. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town’s settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 11—Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 266,653	\$ 90,000
Future Development	90,000	-
Forfeited Assets	-	2,565
Water	-	264,088
	<u> </u>	<u> </u>
Total	<u>\$ 356,653</u>	<u>\$ 356,653</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 12—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 for which they and their employer pay 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.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
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.</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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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.

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</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, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</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>Eligible Members Employees are in 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 Eligible 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, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</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>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <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.

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</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 specified percentages.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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 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>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit 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 Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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. 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>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. 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 Contribution 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.

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contribution Component: (Cont.)</u></p> <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 70½.</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 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: 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 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who 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>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: 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>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>Earliest Unreduced Retirement Eligibility VRS: 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>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</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 VRS: 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 VRS: 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> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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><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. 	<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><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</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>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<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 Employees of political subdivisions and School divisions (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 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) 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.
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. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12—Pension Plan: (Continued)**Employees Covered by Benefit Terms**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	1
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	8
Active members	<u>13</u>
Total covered employees	<u><u>23</u></u>

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 employer contribution rate for the year ended June 30, 2018 was 4.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$28,994 and \$29,072 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, 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:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 12—Pension Plan: (Continued)**Actuarial Assumptions - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, 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:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 12—Pension Plan: (Continued)**Actuarial Assumptions - Public Safety Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 12—Pension 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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 System 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, 2019, the rate contributed by the employer for the Town Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 778,342	\$ 787,849	\$ (9,507)
Changes for the year:			
Service cost	\$ 63,729	\$ -	\$ 63,729
Interest	53,897	-	53,897
Changes of assumptions	(28,918)	-	(28,918)
Differences between expected and actual experience	29,536	-	29,536
Contributions - employer	-	29,072	(29,072)
Contributions - employee	-	29,792	(29,792)
Net investment income	-	99,949	(99,949)
Benefit payments, including refunds			
Refunds of employee contributions	(16,769)	(16,769)	-
Administrative expenses	-	(527)	527
Other changes	-	(91)	91
Net changes	\$ 101,475	\$ 141,426	\$ (39,951)
Balances at June 30, 2017	\$ 879,817	\$ 929,275	\$ (49,458)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability (asset) 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town			
Net Pension Liability (Asset)	\$ 97,713	\$ (49,458)	\$ (168,279)

Note 12—Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2018, the Town recognized pension expense of \$7,516. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,932	\$ 38,682
Change of assumptions	-	23,270
Net difference between projected and actual earnings on pension plan investments	-	14,944
Employer contributions subsequent to the measurement date	28,994	-
Total	<u>\$ 70,926</u>	<u>\$ 76,896</u>

\$28,994 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (asset) in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2019	(24,333)
2020	(7,839)
2021	4,767
2022	(7,572)
2023	13

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Note 13—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$3,156 and \$3,146 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2018, the entity reported a liability of \$50,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00328% as compared to 0.00328% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on GLI OPEB program investments	\$ -	\$ 2,000
Change of assumptions	-	3,000
Employer contributions subsequent to the measurement date	<u>3,156</u>	<u>-</u>
Total	<u>\$ 3,156</u>	<u>\$ 5,000</u>

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$3,156 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2019	\$	(1,000)
2020		(1,000)
2021		(1,000)
2022		(1,000)
2023		(1,000)
Thereafter		-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): Continued

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 64,000	\$ 50,000	\$ 38,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

Note 14—Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

Note 15—Restatement of Net Position:

The following adjustments were made to beginning net position:

	Net Position			Fund Balance		
	Governmental Activities	Business-type Activities Water	Component Unit	General Fund	Future Development Fund	Forfeited Assets Fund
			Community Recreation Center			
Balance, July 1, 2017, as previously stated	\$ 5,028,348	\$ 772,259	\$ 285,346	\$ 1,372,002	\$ 1,034,755	\$ -
Cash adjustment	-	49,342	-	-	-	-
Unrecorded revenue accrual	9,364	-	-	9,364	-	-
Cemtery CD moved to General Fund	-	-	-	47,762	(47,762)	-
Creation of Forfeited Assets Fund	-	-	-	(2,990)	-	2,990
Recording of Taxes Receivable	11,818	-	-	11,818	-	-
Recording of deferred property tax revenue	-	-	-	(9,419)	-	-
Reclassification of accrued payroll	(2,923)	2,923	-	(2,923)	-	-
Removal of compensated absences from fund statements	-	-	-	77,291	-	-
Reclassification of compensated absences	(8,735)	8,735	-	-	-	-
Removal of payroll liability	-	200	-	-	-	-
Removal of refund liabilities	(293)	(32,800)	-	(293)	-	-
Accounts receivable adjustment	-	(52,710)	-	-	-	-
Reclassification of GASB 68 amounts	5,486	(5,486)	-	-	-	-
Removal of bond issuance costs	-	(34,325)	-	-	-	-
Removal of capital assets not owned by component unit	-	-	(34,010)	-	-	-
Implementation of GASB 75:						
Deferred outflows of resources	3,000	-	-	-	-	-
Net OPEB liability	(57,000)	-	-	-	-	-
Balance, July 1, 2017, as restated	\$ 4,989,065	\$ 708,138	\$ 251,336	\$ 1,502,612	\$ 986,993	\$ 2,990

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2018 was \$3,139.

Note 17—Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 17—Upcoming Pronouncements: (Continued)

single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Windsor, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 273,750	\$ 273,750	\$ 294,737	\$ 20,987
Other local taxes	875,500	875,500	929,414	53,914
Permits, privilege fees, and regulatory licenses	2,000	2,000	3,875	1,875
Fines and forfeitures	152,500	152,500	132,685	(19,815)
Revenue from the use of money and property	13,000	13,000	13,379	379
Miscellaneous	18,100	54,575	77,177	22,602
Intergovernmental:				
Commonwealth	154,314	155,314	153,479	(1,835)
Federal	-	2,037	13,920	11,883
Total revenues	\$ 1,489,164	\$ 1,528,676	\$ 1,618,666	\$ 89,990
EXPENDITURES				
Current:				
General government administration	\$ 457,310	\$ 516,110	\$ 447,565	\$ 68,545
Public safety	554,859	601,421	576,873	24,548
Public works	346,165	346,165	312,030	34,135
Parks, recreation, and cultural	11,750	13,200	12,029	1,171
Community development	80,690	80,690	38,672	42,018
Nondepartmental	137,478	145,514	419,962	(274,448)
Capital projects	105,000	348,800	204,064	144,736
Debt service:				
Principal retirement	60,000	60,000	60,085	(85)
Interest and other fiscal charges	-	-	862	(862)
Total expenditures	\$ 1,753,252	\$ 2,111,900	\$ 2,072,142	\$ 39,758
Excess (deficiency) of revenues over (under) expenditures	\$ (264,088)	\$ (583,224)	\$ (453,476)	\$ 129,748
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 264,088	\$ 264,088	\$ 266,653	\$ 2,565
Transfers out	(90,000)	(90,000)	(90,000)	-
Issuance of capital lease	-	120,000	120,000	-
Total other financing sources (uses)	\$ 174,088	\$ 294,088	\$ 296,653	\$ 2,565
Net change in fund balances	\$ (90,000)	\$ (289,136)	\$ (156,823)	\$ 132,313
Fund balances - beginning, as restated	90,000	289,136	1,502,612	1,213,476
Fund balances - ending	\$ -	\$ -	\$ 1,345,789	\$ 1,345,789

Town of Windsor, Virginia
 Future Development Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 1,747	\$ 1,247
Total revenues	\$ 500	\$ 500	\$ 1,747	\$ 1,247
EXPENDITURES				
Current:				
Community development	\$ 90,500	\$ 590,500	\$ 501,349	\$ 89,151
Total expenditures	\$ 90,500	\$ 590,500	\$ 501,349	\$ 89,151
Excess (deficiency) of revenues over (under) expenditures	\$ (90,000)	\$ (590,000)	\$ (499,602)	\$ 90,398
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Total other financing sources (uses)	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Net change in fund balances	\$ -	\$ (500,000)	\$ (409,602)	\$ 90,398
Fund balances - beginning	-	500,000	986,993	486,993
Fund balances - ending	\$ -	\$ -	\$ 577,391	\$ 577,391

Town of Windsor, Virginia
 Forfeited Assets Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 3	\$ 3
Intergovernmental:				
Commonwealth	-	-	2,035	2,035
Total revenues	\$ -	\$ -	\$ 2,038	\$ 2,038
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (2,565)	\$ (2,565)
Total other financing sources (uses)	\$ -	\$ -	\$ (2,565)	\$ (2,565)
Net change in fund balances	\$ -	\$ -	\$ (527)	\$ (527)
Fund balances - beginning, as restated	-	-	2,990	2,990
Fund balances - ending	\$ -	\$ -	\$ 2,463	\$ 2,463

Town of Windsor, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 63,729	\$ 56,628	\$ 54,488	\$ 62,654
Interest	53,897	45,748	47,780	42,134
Changes of assumptions	(28,918)	-	-	-
Differences between expected and actual experience	29,536	29,625	(106,941)	-
Benefit payments, including refunds of employee contributions	(16,769)	(14,392)	(34,320)	(13,959)
Net change in total pension liability	\$ 101,475	\$ 117,609	\$ (38,993)	\$ 90,829
Total pension liability - beginning	778,342	660,733	699,726	608,897
Total pension liability - ending (a)	<u>\$ 879,817</u>	<u>\$ 778,342</u>	<u>\$ 660,733</u>	<u>\$ 699,726</u>
Plan fiduciary net position				
Contributions - employer	\$ 29,072	\$ 38,880	\$ 34,816	\$ 43,896
Contributions - employee	29,792	28,991	25,958	25,551
Net investment income	99,949	14,361	30,738	86,817
Benefit payments, including refunds of employee contributions	(16,769)	(14,392)	(34,320)	(13,959)
Administrative expense	(527)	(410)	(385)	(417)
Other	(91)	(6)	(4)	5
Net change in plan fiduciary net position	\$ 141,426	\$ 67,424	\$ 56,803	\$ 141,893
Plan fiduciary net position - beginning	787,849	720,425	663,622	521,729
Plan fiduciary net position - ending (b)	<u>\$ 929,275</u>	<u>\$ 787,849</u>	<u>\$ 720,425</u>	<u>\$ 663,622</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (49,458)	\$ (9,507)	\$ (59,692)	\$ 36,104
Plan fiduciary net position as a percentage of the total pension liability	105.62%	101.22%	109.03%	94.84%
Covered payroll	\$ 605,061	\$ 588,613	\$ 527,258	\$ 512,377
Town's net pension liability (asset) as a percentage of covered payroll	-8.17%	-1.62%	-11.32%	7.05%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Town of Windsor, Virginia
 Schedule of Employer Contributions
 Pension Plan

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 28,994	\$ 28,994	\$ -	\$ 606,933	4.78%
2017	29,072	29,072	-	605,061	4.80%
2016	38,880	38,880	-	588,613	6.61%
2015	34,816	34,816	-	527,258	6.60%
2014	43,896	43,896	-	512,377	8.57%
2013	47,607	47,607	-	554,855	8.58%
2012	39,514	39,514	-	511,835	7.72%
2011	36,394	36,394	-	471,424	7.72%
2010	30,307	30,307	-	416,879	7.27%
2009	29,929	29,929	-	411,674	7.27%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

Town of Windsor, Virginia
Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2018

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Windsor, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.00328% \$	50,000 \$	605,061	8.26%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Windsor, Virginia
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 3,156	\$ 3,156	\$ -	\$ 606,933	0.52%
2017	3,146	3,146	-	605,061	0.52%
2016	2,825	2,825	-	588,613	0.48%
2015	2,531	2,531	-	527,258	0.48%
2014	2,459	2,459	-	512,377	0.48%
2013	2,663	2,663	-	554,855	0.48%
2012	1,433	1,433	-	511,835	0.28%
2011	1,320	1,320	-	471,424	0.28%
2010	835	835	-	309,244	0.27%
2009	1,112	1,112	-	411,674	0.27%

Town of Windsor, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Town of Windsor, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

OTHER SUPPLEMENTARY INFORMATION

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Town of Windsor, Virginia
 Statement of Net Position
 Discretely Presented Component Unit - Economic Development Authority
 June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 21,383
Total assets	<u>\$ 21,383</u>

NET POSITION

Unrestricted	<u>\$ 21,383</u>
Total net position	<u><u>\$ 21,383</u></u>

Town of Windsor, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

OPERATING REVENUES

Charges for services:

Miscellaneous	\$ 5,000
Total operating revenues	<u>\$ 5,000</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 37
Total nonoperating revenues (expenses)	<u>\$ 37</u>

Change in net position	\$ 5,037
------------------------	----------

Total net position - beginning	<u>16,346</u>
Total net position - ending	<u><u>\$ 21,383</u></u>

Town of Windsor, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	5,000
Net cash provided by (used for) operating activities	<u>\$</u>	<u>5,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	37
Net cash provided by (used for) investing activities	<u>\$</u>	<u>37</u>

Net increase (decrease) in cash and cash equivalents	\$	5,037
--	----	-------

Cash and cash equivalents - beginning		<u>16,346</u>
---------------------------------------	--	---------------

Cash and cash equivalents - ending	<u>\$</u>	<u><u>21,383</u></u>
------------------------------------	-----------	----------------------

Reconciliation of operating income (loss) to net cash
provided by (used for) operating activities:

Operating income (loss)	\$	5,000
Total adjustments	<u>\$</u>	<u>-</u>

Net cash provided by (used for) operating activities	<u>\$</u>	<u><u>5,000</u></u>
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*DISCRETELY PRESENTED COMPONENT UNIT
COMMUNITY RECREATION CENTER*

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Town of Windsor, Virginia
 Statement of Net Position
 Discretely Presented Component Unit - Community Recreation Center
 June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 778,310
Total assets	<u>\$ 778,310</u>

NET POSITION

Unrestricted	\$ 778,310
Total net position	<u><u>\$ 778,310</u></u>

Town of Windsor, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Community Recreation Center
For the Year Ended June 30, 2018

OPERATING REVENUES	
Contribution from Town of Windsor	\$ 800,000
Donations	26,400
Total operating revenues	<u>\$ 826,400</u>
OPERATING EXPENSES	
Professional services	\$ 300,337
Total operating expenses	<u>\$ 300,337</u>
Operating income (loss)	<u>\$ 526,063</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 911
Total nonoperating revenues (expenses)	<u>\$ 911</u>
Change in net position	\$ 526,974
Total net position - beginning	251,336
Total net position - ending	<u><u>\$ 778,310</u></u>

Town of Windsor, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Community Recreation Center
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from donors	\$	26,400
Receipts for local government contributions		800,000
Payments to suppliers		(300,337)
Net cash provided by (used for) operating activities	\$	<u>526,063</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	911
Net cash provided by (used for) investing activities	\$	<u>911</u>

Net increase (decrease) in cash and cash equivalents \$ 526,974

Cash and cash equivalents - beginning 251,336

Cash and cash equivalents - ending \$ 778,310

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$	526,063
Total adjustments	\$	-

Net cash provided by (used for) operating activities \$ 526,063

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SUPPORTING SCHEDULES

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Town of Windsor, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 191,000	\$ 191,000	\$ 189,500	\$ (1,500)
Real and personal public service corporation taxes	11,000	11,000	11,493	493
Personal property taxes	69,000	69,000	87,610	18,610
Penalties and interest	2,750	2,750	6,134	3,384
Total general property taxes	<u>\$ 273,750</u>	<u>\$ 273,750</u>	<u>\$ 294,737</u>	<u>\$ 20,987</u>
Other local taxes:				
Local sales and use taxes	\$ 95,000	\$ 95,000	\$ 106,272	\$ 11,272
Consumers' utility taxes	90,000	90,000	89,233	(767)
Bank franchise taxes	142,500	142,500	146,743	4,243
Business license taxes	130,000	130,000	132,430	2,430
Motor vehicle licenses	40,000	40,000	44,125	4,125
Cigarette taxes	63,000	63,000	86,250	23,250
Restaurant food taxes	315,000	315,000	324,361	9,361
Total other local taxes	<u>\$ 875,500</u>	<u>\$ 875,500</u>	<u>\$ 929,414</u>	<u>\$ 53,914</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 2,000	\$ 2,000	\$ 3,875	\$ 1,875
Fines and forfeitures:				
Traffic fines	\$ 152,500	\$ 152,500	\$ 132,685	\$ (19,815)
Revenue from use of money and property:				
Revenue from use of money	\$ 12,000	\$ 12,000	\$ 9,879	\$ (2,121)
Revenue from use of property	1,000	1,000	3,500	2,500
Total revenue from use of money and property	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 13,379</u>	<u>\$ 379</u>
Miscellaneous:				
Miscellaneous	\$ 18,100	\$ 54,575	\$ 77,177	\$ 22,602
Total revenue from local sources	<u>\$ 1,334,850</u>	<u>\$ 1,371,325</u>	<u>\$ 1,451,267</u>	<u>\$ 79,942</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 3,500	\$ 3,500	\$ 2,817	(683)
Rolling stock tax	-	-	7	\$ 7
Communications tax	64,000	64,000	60,976	(3,024)
Personal property tax relief funds	19,525	19,525	19,541	16
Total noncategorical aid	<u>\$ 87,025</u>	<u>\$ 87,025</u>	<u>\$ 83,341</u>	<u>\$ (3,684)</u>

Town of Windsor, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Other categorical aid:				
Law enforcement grant	\$ 57,289	\$ 57,289	\$ 59,132	\$ 1,843
Litter control	1,000	1,000	1,006	6
Fire programs	9,000	10,000	10,000	-
Total other categorical aid	<u>\$ 67,289</u>	<u>\$ 68,289</u>	<u>\$ 70,138</u>	<u>\$ 1,849</u>
Total categorical aid	<u>\$ 67,289</u>	<u>\$ 68,289</u>	<u>\$ 70,138</u>	<u>\$ 1,849</u>
Total revenue from the Commonwealth	<u>\$ 154,314</u>	<u>\$ 155,314</u>	<u>\$ 153,479</u>	<u>\$ (1,835)</u>
Revenue from the federal government:				
Other categorical aid:				
DMV grant	\$ -	\$ -	\$ 11,883	\$ 11,883
Law enforcement grant	-	2,037	2,037	-
Total other categorical aid	<u>\$ -</u>	<u>\$ 2,037</u>	<u>\$ 13,920</u>	<u>\$ 11,883</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 2,037</u>	<u>\$ 13,920</u>	<u>\$ 11,883</u>
Total General Fund	<u>\$ 1,489,164</u>	<u>\$ 1,528,676</u>	<u>\$ 1,618,666</u>	<u>\$ 89,990</u>
Special Revenue Funds:				
Future Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 500	\$ 500	\$ 1,747	\$ 1,247
Total Future Development Fund	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,747</u>	<u>\$ 1,247</u>
Forfeited Assets Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 3	\$ 3
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Asset forfeiture funds	\$ -	\$ -	\$ 2,035	\$ 2,035
Total Forfeited Assets Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,038</u>	<u>\$ 2,038</u>
Total Primary Government	<u>\$ 1,489,664</u>	<u>\$ 1,529,176</u>	<u>\$ 1,622,451</u>	<u>\$ 93,275</u>

Town of Windsor, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
General and financial administration:				
Legislative services	\$ 33,350	\$ 33,350	\$ 24,051	\$ 9,299
General and financial administration	395,710	454,510	401,612	52,898
Legal services	28,250	28,250	21,902	6,348
Total general government administration	<u>\$ 457,310</u>	<u>\$ 516,110</u>	<u>\$ 447,565</u>	<u>\$ 68,545</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 545,859	\$ 591,421	\$ 566,873	\$ 24,548
Fire and rescue services:				
Fire department	\$ 9,000	\$ 10,000	\$ 10,000	\$ -
Total public safety	<u>\$ 554,859</u>	<u>\$ 601,421</u>	<u>\$ 576,873</u>	<u>\$ 24,548</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Property maintenance	\$ 261,165	\$ 261,165	\$ 229,955	\$ 31,210
Sanitation and waste removal:				
Refuse collection	\$ 85,000	\$ 85,000	\$ 82,075	\$ 2,925
Total public works	<u>\$ 346,165</u>	<u>\$ 346,165</u>	<u>\$ 312,030</u>	<u>\$ 34,135</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Cultural events	\$ 11,750	\$ 13,200	\$ 12,029	\$ 1,171
Total parks, recreation, and cultural	<u>\$ 11,750</u>	<u>\$ 13,200</u>	<u>\$ 12,029</u>	<u>\$ 1,171</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 70,440	\$ 70,440	\$ 29,986	\$ 40,454
Economic development	10,250	10,250	8,686	1,564
Total community development	<u>\$ 80,690</u>	<u>\$ 80,690</u>	<u>\$ 38,672</u>	<u>\$ 42,018</u>
Nondepartmental:				
Contingency	\$ 17,590	\$ 25,626	\$ 20,320	\$ 5,306
Contribution to Community Recreation Center	-	-	300,000	(300,000)
Contribution - library	1,200	1,200	1,200	-
Contribution - TRIAD	1,000	1,000	1,000	-
Insurance	38,000	38,000	29,950	8,050
Vacation buyback	9,688	9,688	9,687	1
Payments to other governments	70,000	70,000	57,805	12,195
Total nondepartmental	<u>\$ 137,478</u>	<u>\$ 145,514</u>	<u>\$ 419,962</u>	<u>\$ (274,448)</u>

Town of Windsor, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Street lighting extension	\$ 1,500	\$ 1,500	\$ 44	\$ 1,456
Information technology upgrade	5,000	5,000	2,009	2,991
Financial software upgrade	15,000	138,800	82,011	56,789
Police department technology	8,500	8,500	-	8,500
Police radios	75,000	75,000	-	75,000
Police vehicles	-	120,000	120,000	-
Total capital projects	<u>\$ 105,000</u>	<u>\$ 348,800</u>	<u>\$ 204,064</u>	<u>\$ 144,736</u>
Debt service:				
Principal retirement	\$ 60,000	\$ 60,000	\$ 60,085	\$ (85)
Interest and other fiscal charges	-	-	862	(862)
Total debt service	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,947</u>	<u>\$ (947)</u>
Total General Fund	<u>\$ 1,753,252</u>	<u>\$ 2,111,900</u>	<u>\$ 2,072,142</u>	<u>\$ 39,758</u>
Special Revenue Funds:				
Future Development Fund:				
Community development:				
Planning and community development:				
Space needs	\$ 25,000	\$ 25,000	\$ 1,349	\$ 23,651
Contribution to Community Recreation Center	65,500	565,500	500,000	65,500
Total community development	<u>\$ 90,500</u>	<u>\$ 590,500</u>	<u>\$ 501,349</u>	<u>\$ 89,151</u>
Total Future Development Fund	<u>\$ 90,500</u>	<u>\$ 590,500</u>	<u>\$ 501,349</u>	<u>\$ 89,151</u>
Total Primary Government	<u>\$ 1,843,752</u>	<u>\$ 2,702,400</u>	<u>\$ 2,573,491</u>	<u>\$ 128,909</u>

OTHER STATISTICAL INFORMATION

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Town of Windsor, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration		Public Safety	Public Works	Parks, Recreation, and Cultural		Community Development	Non-departmental (1)	Interest on Long-term Debt	Enterprise Funds		Total
2009	\$ 496,292	\$	436,382	\$ 116,126	\$ -	\$ -	15,515	\$ 38,490	\$ -	\$ 467,726	\$ 1,570,531	
2010	456,512		435,309	223,313	-	-	72,097	74,129	-	499,608	1,760,968	
2011	405,389		396,341	259,180	-	-	76,110	75,424	-	520,452	1,732,896	
2012	320,860		572,075	214,324	-	-	84,129	76,628	-	548,391	1,816,407	
2013	365,563		555,873	232,768	-	-	85,810	63,009	-	541,407	1,844,430	
2014	352,333		516,406	227,780	-	-	96,435	88,531	-	548,843	1,830,328	
2015	328,536		553,046	213,844	-	-	84,216	105,751	-	462,470	1,747,863	
2016	350,177		600,617	221,366	-	-	97,552	134,819	-	455,748	1,860,279	
2017	400,976		590,021	224,286	-	-	268,011	96,175	-	519,568	2,099,037	
2018	593,158		617,471	317,458	13,229		840,374	-	862	285,646	2,668,198	

(1) Beginning in fiscal year ended June 30, 2018, non-departmental expenditures in the fund financial statements were reclassified to other categories in the entity-wide financial statements

Town of Windsor, Virginia
 Government-wide Revenues
 Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions		General Property Taxes	Miscellaneous and Other Local Taxes	Unrestricted Investment Earnings	Grants and Contributions Not Restricted to Specific Programs			
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	
2017	801,779	79,473		307,940	961,747	19,362	-	-	2,170,301	
2018	656,272	86,093		297,673	1,006,591	18,724	83,341		2,148,694	

Town of Windsor, Virginia
 General Governmental Expenditures by Function (1,2)
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Non-departmental	Total
2009	\$ 418,599	\$ 436,382	\$ 116,126	\$ -	\$ 15,515	\$ -	\$ 38,490	\$ 1,025,112
2010	364,373	456,700	223,313	-	72,097	-	74,129	1,190,612
2011	386,726	440,151	236,531	-	76,110	-	75,424	1,214,942
2012	323,214	533,566	191,674	-	84,129	-	76,628	1,209,211
2013	328,781	517,850	208,726	-	85,809	114,861	63,009	1,319,036
2014	311,119	452,170	203,008	-	96,435	115,328	88,531	1,266,591
2015	285,444	481,373	218,127	-	85,560	324,386	105,752	1,500,642
2016	327,237	525,361	215,063	-	98,102	-	134,819	1,300,582
2017	332,313	523,657	215,482	-	67,940	-	101,093	1,240,485
2018	447,565	576,873	312,030	12,029	540,021	60,947	419,962	2,369,427

(1) Includes General and Special Revenue Funds of the Primary Government.

(2) Excludes expenditures for capital projects.

Town of Windsor, Virginia
General Governmental Revenues by Source (1,2)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Miscellaneous	Inter-governmental	Total
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
2017	307,940	819,087	-	-	-	371,456	153,931	1,652,414
2018	294,737	929,414	3,875	132,685	15,129	77,177	169,434	1,622,451

Note: This table is designed to show ten years of data. However, information prior to 2016 is unavailable.
 (1) Includes General and Special Revenue funds of the Primary Government.
 (2) Excludes Capital projects fund.

Table 5

Town of Windsor, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1,2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
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%
2017	273,001	265,214	97.15%	5,342	270,556	99.10%	27,684	10.14%
2018	314,384	306,037	97.34%	2,108	308,145	98.02%	42,689	13.58%

(1) Exclusive of penalties, interest and land redemptions.

(2) Tax levy and collections include the Commonwealth's personal property tax relief revenues.

Table 6

Town of Windsor, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (3)	Machinery and Tools (3)	Mobile Homes (3)	Public Service (2) (3)	Total
2009	\$ 198,682,100	\$ 26,802,743	\$ -	\$ -	\$ 5,907,940	\$ 231,392,783
2010	199,729,947	24,044,087	-	-	6,698,556	230,472,590
2011	199,523,700	24,073,454	-	-	7,130,833	230,727,987
2012	200,454,800	25,202,983	-	-	6,498,400	232,156,183
2013	198,099,100	26,774,815	-	-	7,912,506	232,786,421
2014	198,153,400	26,957,484	-	-	7,961,345	233,072,229
2015	200,770,800	27,402,235	-	-	8,266,669	236,439,704
2016	194,256,300	27,125,153	-	-	8,481,519	229,862,972
2017	194,484,000	28,288,965	-	-	11,034,855	233,807,820
2018	195,603,100	21,800,393	877,077	5,760,443	11,988,177	236,029,190

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Beginning in fiscal year ended June 30, 2018, began separating machinery and tools and mobile homes from personal property

Table 7

Town of Windsor, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utility	
					Real Estate	Personal Property
2009	\$ 0.10	\$ 0.50	\$ 0.10	\$ 0.08	\$ 0.10	\$ 0.50
2010	0.10	0.50	0.10	0.10	0.10	0.50
2011	0.10	0.50	0.10	0.10	0.10	0.50
2012	0.10	0.50	0.10	0.10	0.10	0.50
2013	0.10	0.50	0.10	0.10	0.10	0.50
2014	0.10	0.50	0.10	0.10	0.10	0.50
2015	0.10	0.50	0.10	0.10	0.10	0.50
2016	0.10	0.50	0.10	0.10	0.10	0.50
2017	0.10	0.50	0.10	0.10	0.10	0.50
2018	0.10	0.50	0.10	0.10	0.10	0.50

(1) Per \$100 of assessed value.

Town of Windsor, Virginia
 Ratio of Net General Bonded Debt to
 Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Payable from Enterprise Revenue				
2017	2,626	\$ 233,807,820	\$ -	\$ -	-	0.00%	\$ -	
2018	2,626	236,029,190	-	-	-	0.00%	-	

Note: This table is designed to show ten years of data. However, information prior to 2017 is unavailable.

(1) Weldon Cooper Center for Public Service, 2010 Census count.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans of the Governmental Activities. Excludes revenue bonds, capital leases, and compensated absences.

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the Town Council
Town of Windsor
Windsor, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Town of Windsor Virginia, as of and for the year ended June 30, 2018, 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 June 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Windsor Virginia'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 Town of Windsor, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. (2018-001, 2018-002, 2018-003, 2018-004, and 2018-005).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Windsor, Virginia's financial statements are free from 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*.

Town of Windsor, Virginia's Response to Findings

Town of Windsor, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Windsor, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
June 14, 2019

Town of Windsor, Virginia
 Schedule of Findings and Responses
 For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		<u>unmodified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	<u> ✓ </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> ✓ </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> ✓ </u> no

Section II-Financial Statement Findings

Finding 2018-001: Financial Reporting

Criteria:

Per AU-C Section 265, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.

Condition:

The financial statements as presented for audit did not contain all necessary material adjustments to ensure such statements complied with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition:

The Town failed to identify all year end material accounting adjustments necessary for the books to be maintained in accordance with current reporting standards. Management does not have the proper controls in place to detect and correct adjustments in closing their year end financial statements.

Effect of Condition:

There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.

Recommendation:

Procedures should be implemented for the posting of all year-end entries to maintain the records in accordance with GAAP. This would include making entries to post current year receivables and payables, accrued leave liabilities, principal payments on debt, and capital assets transactions, including depreciation.

Management's Response:

The Town is considering corrective action for FY19.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2018 (Continued)

Section II-Financial Statement Findings (Continued)

Finding 2018-002: Segregation of Duties

Criteria:

The Town is responsible for establishing and maintaining effective internal controls and for fair presentation of the financial statements including the related disclosures, in conformity with the U. S. generally accepted accounting principles.

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of the transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Cause of Condition:

There is a limited number of personnel involved in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Effect of Condition:

As a result of the lack of segregation of duties, there is a higher risk that errors or misappropriation could occur and not be detected within a timely period.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

The Town is considering corrective action for FY19.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2018 (Continued)

Section II-Financial Statement Findings (Continued)

Finding 2018-003: Processing Invoices

Criteria:

Invoices should be visibly approved by the Town Manager before being processed for payment.

Condition:

The purchasing policy of the Town allows for certain purchases to be made by employees of the Town for purchases less than \$300. However, the policy does not state for the Town Manager to sign off as reviewer on the invoice for these types of disbursements prior to payment. The Town Manager does sign off on the check register for all check runs.

Cause of Condition:

There was a lack of management review and oversight of invoices prior to payment and the Town's policy to be updated to reflect that.

Effect of Condition:

The failure of management to review and visibly approve all invoices, prior to payment, increases the risk that improper vendors may be paid and that all appropriate vendors may not be paid on a timely basis. Further, there is an increased risk that Town funds can be misappropriated, and the lack of controls could result in a material misstatement.

Recommendation:

All invoices should be reviewed and visibly approved prior to payment, and the Town's policy should be updated to reflect that.

Management's Response:

The Town is considering corrective action for FY19.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2018 (Continued)

Section II-Financial Statement Findings (Continued)

Finding 2018-004: Balance Sheet Account Reconciliations

Criteria:

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

Condition:

Management did not reconcile the balance sheet accounts to subsidiary ledgers and/or client prepared reconciliations.

Cause of Condition:

Management does not have proper controls in place to ensure that material balance sheet accounts are properly reconciled.

Effect of Condition:

Many balance sheet accounts were not reconciled resulting in balance sheet accounts being materially incorrect prior to auditor-proposed adjustments.

Recommendation:

Management should ensure that account reconciliations are timely prepared and agree with the related general ledger account balance. On a monthly basis, the Town Manager should review both prepared reconciliations and the related account balances in the accounting system to verify that they agree/reconcile.

Management's Response:

The Town is considering corrective action for FY19.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2018 (Continued)

Section II-Financial Statement Findings (Continued)

Finding 2018-005: Receipting Process

Criteria:

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

Condition:

The Town implemented a new accounting system, but still utilized the old accounting system for the receipting process. Revenues were posted to the new accounting system in batches; however, there is no reconciliation between the two systems.

Cause of Condition:

There is no reconciliation process between the daily receipts and the revenues recorded in the accounting system.

Effect of Condition:

There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Town's internal controls over financial reporting.

Recommendation:

The Town should begin utilizing the new accounting system for recording receipts. However, if the older accounting system continues to be used, then a monthly reconciliation should be performed.

Management's Response:

The Town is considering corrective action for FY19.