

TOWN OF WINDSOR, VIRGINIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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ANNUAL FINANCIAL REPORT

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TOWN OF WINDSOR, VIRGINIA

TOWN COUNCIL

Walter Bernacki
George Stubbs
J. Randy Carr

Glyn T. Willis, Mayor

Kelly Blankenship
Jake Redd
Greg Willis

GENERAL TOWN GOVERNMENT

Town Manager
Town Clerk
Town Treasurer
Town Attorney

William G. Saunders, IV
Terry Whitehead
Cheryl McClanahan
Fred D. Taylor

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TOWN OF WINDSOR, VIRGINIA
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2020

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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 units, and each major fund of Town of Windsor, Virginia, as of and for the year ended June 30, 2020, 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; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 units, and each major fund of Town of Windsor, Virginia, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-8, 55-57 and 58-63 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.

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 May 7, 2021, 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, Farnum, Cox Associates

Richmond, Virginia
May 7, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Town of Windsor, Virginia (the "Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- General Fund revenues were \$69,125 more than anticipated by Town Council for the year's final operating budget
- General Fund expenditures were \$513,625 less than appropriated by Town Council for the year's final operating budget
- All of the departments within the General Fund had operating expenses less than the amount appropriated by Town Council
- The Fund Balance of the General Fund was increased from \$1,215,971 to an ending balance of \$1,627,055. This reflects additional debt payments made in an effort to retire debt ahead of schedule
- The Water Fund saw an increase in net position from \$653,913 to an ending balance of \$791,421. This can be attributed largely to depreciation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

The statement of net position presents information on all of the Town's assets and deferred outflows and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police protection, cultural events, recreation, and community development.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Windsor, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town has three major governmental funds - the General Fund, Future Development Fund, and Forfeited Assets Fund.

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Water Fund provides a centralized source for water services.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and the schedules related to pension funding. Other supplementary information consists of detailed budgetary schedules and statistical information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. The following table summarizes the Town's Statement of Net Position:

Town of Windsor, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,716,162	\$ 1,916,292	\$ 902,081	\$ 770,471	\$ 2,618,243	\$ 2,686,763
Capital assets	<u>2,559,921</u>	<u>2,591,926</u>	<u>1,053,604</u>	<u>1,152,955</u>	<u>3,613,525</u>	<u>3,744,881</u>
Total assets	<u>\$ 4,276,083</u>	<u>\$ 4,508,218</u>	<u>\$ 1,955,685</u>	<u>\$ 1,923,426</u>	<u>\$ 6,231,768</u>	<u>\$ 6,431,644</u>
Deferred outflows of resources	<u>\$ 104,079</u>	<u>\$ 82,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,079</u>	<u>\$ 82,356</u>
Current liabilities	\$ 33,456	\$ 51,154	\$ 53,392	\$ 96,244	\$ 86,848	\$ 147,398
Long-term liabilities outstanding	<u>151,334</u>	<u>116,553</u>	<u>1,118,062</u>	<u>1,173,269</u>	<u>1,269,396</u>	<u>1,289,822</u>
Total liabilities	<u>\$ 184,790</u>	<u>\$ 167,707</u>	<u>\$ 1,171,454</u>	<u>\$ 1,269,513</u>	<u>\$ 1,356,244</u>	<u>\$ 1,437,220</u>
Deferred inflows of resources	<u>\$ 27,359</u>	<u>\$ 48,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,359</u>	<u>\$ 48,195</u>
Net investment in capital assets	\$ 2,524,746	\$ 2,591,926	\$ (64,458)	\$ (20,314)	\$ 2,460,288	\$ 2,571,612
Restricted	119,643	116,601	-	-	119,643	116,601
Unrestricted	<u>1,523,624</u>	<u>1,666,145</u>	<u>848,689</u>	<u>674,227</u>	<u>2,372,313</u>	<u>2,340,372</u>
Total net position	<u>\$ 4,168,013</u>	<u>\$ 4,374,672</u>	<u>\$ 784,231</u>	<u>\$ 653,913</u>	<u>\$ 4,952,244</u>	<u>\$ 5,028,585</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position decreased by a total of \$76,341. The following table summarizes the Town's Statement of Activities:

Town of Windsor, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Charges for services	\$ 109,698	\$ 126,776	\$ 719,552	\$ 532,280	\$ 829,250	\$ 659,056
Operating grants and contributions	93,688	83,796	-	-	93,688	83,796
General property taxes	313,093	318,831	-	-	313,093	318,831
Other local taxes	1,014,970	967,643	-	-	1,014,970	967,643
Grants and other contributions not restricted	82,952	90,685	6,563	5,515	89,515	96,200
Other general revenues	36,658	42,203	-	-	36,658	42,203
Transfers	316,932	271,088	(316,932)	(271,088)	-	-
Total revenues	\$ 1,967,991	\$ 1,901,022	\$ 409,183	\$ 266,707	\$ 2,377,174	\$ 2,167,729
General government administration	\$ 768,471	\$ 670,809	-	-	\$ 768,471	\$ 670,809
Public safety	677,941	663,898	-	-	677,941	663,898
Public works	330,970	315,066	278,865	294,505	609,835	609,571
Parks, recreation, and cultural	10,413	13,222	-	-	10,413	13,222
Community development	385,931	358,420	-	-	385,931	358,420
Interest and other fiscal charges	924	923	-	-	924	923
Total expenses	\$ 2,174,650	\$ 2,022,338	\$ 278,865	\$ 294,505	\$ 2,453,515	\$ 2,316,843
Change in net position	\$ (206,659)	\$ (121,316)	\$ 130,318	\$ (27,798)	\$ (76,341)	\$ (149,114)
Net position, beginning of year	4,374,672	4,495,988	653,913	681,711	5,028,585	5,177,699
Net position, end of year	<u>\$ 4,168,013</u>	<u>\$ 4,374,672</u>	<u>\$ 784,231</u>	<u>\$ 653,913</u>	<u>\$ 4,952,244</u>	<u>\$ 5,028,585</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds

As noted earlier, the Town used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported a fund balance of \$1,627,055. \$1,509,431 of general fund balance as of June 30, 2020 was unassigned.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position at the end of the year amounted to \$848,689.

General Fund Budgetary Highlights

During the year, actual revenues and other sources were more than budgetary estimates by \$69,485. Actual expenditures and other uses were less than budgetary estimates by \$513,625, resulting in a positive variance of \$583,110.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental activities and business type activities as of June 30, 2020 amounts to \$2,559,921 and \$1,053,604, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Long-term debt - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$1,118,062. All of this debt is in the Water Fund.

Requests for Information

This financial report is designed to provide a general overview of the Town of Windsor, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, P.O. Box 307, Windsor, VA 23487.

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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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	EDA	Community Recreation Center
ASSETS					
Cash and cash equivalents	\$ 1,387,089	\$ 552,981	\$ 1,940,070	\$ 29,670	\$ 98,661
Cash and cash equivalents, restricted	119,643	-	119,643	-	-
Investments	-	292,661	292,661	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	49,890	-	49,890	-	-
Accounts receivable	115,069	62,216	177,285	-	-
Due from other governmental units	38,694	-	38,694	-	-
Internal balances	5,777	(5,777)	-	-	-
Capital assets (net of accumulated depreciation):					
Land	1,558,118	40,211	1,598,329	-	-
Buildings and improvements	554,090	963,659	1,517,749	-	-
Water mains	-	37,160	37,160	-	-
Machinery and equipment	128,249	12,574	140,823	-	-
Software	213,038	-	213,038	-	-
Infrastructure	106,426	-	106,426	-	-
Total assets	\$ 4,276,083	\$ 1,955,685	\$ 6,231,768	\$ 29,670	\$ 98,661
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 91,786	\$ -	\$ 91,786	\$ -	\$ -
OPEB related items	12,293	-	12,293	-	-
Total deferred outflows of resources	\$ 104,079	\$ -	\$ 104,079	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 32,089	\$ 5,051	\$ 37,140	\$ -	\$ -
Accrued liabilities	1,367	-	1,367	-	-
Accrued interest payable	-	3,532	3,532	-	-
Customer deposits payable	-	44,809	44,809	-	-
Line of credit payable	-	-	-	-	78,191
Long-term liabilities:					
Due within one year	40,739	59,287	100,026	-	-
Due in more than one year	110,595	1,058,775	1,169,370	-	-
Total liabilities	\$ 184,790	\$ 1,171,454	\$ 1,356,244	\$ -	\$ 78,191
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 1,081	\$ -	\$ 1,081	\$ -	\$ -
Pension related items	22,838	-	22,838	-	-
OPEB related items	3,440	-	3,440	-	-
Total deferred inflows of resources	\$ 27,359	\$ -	\$ 27,359	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 2,524,746	\$ (64,458)	\$ 2,460,288	\$ -	\$ -
Restricted	119,643	-	119,643	-	-
Unrestricted	1,523,624	848,689	2,372,313	29,670	20,470
Total net position	\$ 4,168,013	\$ 784,231	\$ 4,952,244	\$ 29,670	\$ 20,470

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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 768,471	\$ -	\$ -	\$ -
Public safety	677,941	103,737	92,437	-
Public works	330,970	5,961	1,251	-
Parks, recreation, and cultural	10,413	-	-	-
Community development	385,931	-	-	-
Interest on long-term debt	924	-	-	-
Total governmental activities	<u>\$ 2,174,650</u>	<u>\$ 109,698</u>	<u>\$ 93,688</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 278,865	\$ 719,552	\$ -	\$ -
Total business-type activities	<u>\$ 278,865</u>	<u>\$ 719,552</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 2,453,515</u>	<u>\$ 829,250</u>	<u>\$ 93,688</u>	<u>\$ -</u>
COMPONENT UNITS:				
Discretely presented component units:				
Economic Development Authority	\$ 1,788	\$ 5,000	\$ -	\$ -
Community Recreation Center	163,142	-	101,732	-
Total component units	<u>\$ 164,930</u>	<u>\$ 5,000</u>	<u>\$ 101,732</u>	<u>\$ -</u>

General Revenues:

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
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	
\$ (768,471)	\$ -	\$ (768,471)	\$ -	\$ -	\$ -
(481,767)	-	(481,767)	-	-	-
(323,758)	-	(323,758)	-	-	-
(10,413)	-	(10,413)	-	-	-
(385,931)	-	(385,931)	-	-	-
(924)	-	(924)	-	-	-
<u>\$ (1,971,264)</u>	<u>\$ -</u>	<u>\$ (1,971,264)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 440,687	\$ 440,687	\$ -	\$ -	\$ -
\$ -	\$ 440,687	\$ 440,687	\$ -	\$ -	\$ -
<u>\$ (1,971,264)</u>	<u>\$ 440,687</u>	<u>\$ (1,530,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 3,212	\$ -	\$ -
-	-	-	-	-	(61,410)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,212</u>	<u>\$ -</u>	<u>\$ (61,410)</u>
\$ 313,093	\$ -	\$ 313,093	\$ -	\$ -	\$ -
133,920	-	133,920	-	-	-
110,538	-	110,538	-	-	-
413,597	-	413,597	-	-	-
129,454	-	129,454	-	-	-
227,461	-	227,461	-	-	-
20,788	6,563	27,351	59	-	407
15,870	-	15,870	-	-	-
82,952	-	82,952	-	-	-
316,932	(316,932)	-	-	-	-
<u>\$ 1,764,605</u>	<u>\$ (310,369)</u>	<u>\$ 1,454,236</u>	<u>\$ 59</u>	<u>\$ 407</u>	<u>\$ -</u>
\$ (206,659)	\$ 130,318	\$ (76,341)	\$ 3,271	\$ (61,003)	\$ -
4,374,672	653,913	5,028,585	26,399	81,473	-
<u>\$ 4,168,013</u>	<u>\$ 784,231</u>	<u>\$ 4,952,244</u>	<u>\$ 29,670</u>	<u>\$ 20,470</u>	<u>\$ -</u>

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FUND FINANCIAL STATEMENTS

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Town of Windsor, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Future Development Fund</u>	<u>Forfeited Assets Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,383,798	\$ 3,291	\$ -	\$ 1,387,089
Cash and cash equivalents, restricted	117,624	-	2,019	119,643
Receivables (net of allowance for uncollectibles):				
Taxes receivable	49,890	-	-	49,890
Accounts receivable	115,069	-	-	115,069
Due from other funds	5,777	-	-	5,777
Due from other governmental units	38,694	-	-	38,694
Total assets	<u>\$ 1,710,852</u>	<u>\$ 3,291</u>	<u>\$ 2,019</u>	<u>\$ 1,716,162</u>
LIABILITIES				
Accounts payable	\$ 32,089	\$ -	\$ -	\$ 32,089
Accrued liabilities	1,367	-	-	1,367
Total liabilities	<u>\$ 33,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,456</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 50,341	\$ -	\$ -	\$ 50,341
Total deferred inflows of resources	<u>\$ 50,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,341</u>
FUND BALANCES				
Restricted	\$ 117,624	\$ -	\$ 2,019	\$ 119,643
Assigned	-	3,291	-	3,291
Unassigned	1,509,431	-	-	1,509,431
Total fund balances	<u>\$ 1,627,055</u>	<u>\$ 3,291</u>	<u>\$ 2,019</u>	<u>\$ 1,632,365</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,710,852</u>	<u>\$ 3,291</u>	<u>\$ 2,019</u>	<u>\$ 1,716,162</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 1,632,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,559,921
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes		49,260
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 91,786	
OPEB related items	<u>12,293</u>	104,079
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	\$ (55,643)	
Net pension liability	(6,491)	
Net OPEB liability	(54,025)	(151,334)
Capital leases	<u>(35,175)</u>	
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (22,838)	
OPEB related items	<u>(3,440)</u>	(26,278)
Net position of governmental activities		<u><u>\$ 4,168,013</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, 2020

	<u>General</u>	<u>Future Development Fund</u>	<u>Forfeited Assets Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 298,184	\$ -	\$ -	\$ 298,184
Other local taxes	1,014,970	-	-	1,014,970
Permits, privilege fees, and regulatory licenses	5,961	-	-	5,961
Fines and forfeitures	103,737	-	-	103,737
Revenue from the use of money and property	20,019	767	2	20,788
Miscellaneous	15,870	-	-	15,870
Intergovernmental:				
Commonwealth	157,915	-	736	158,651
Federal	17,989	-	-	17,989
Total revenues	<u>\$ 1,634,645</u>	<u>\$ 767</u>	<u>\$ 738</u>	<u>\$ 1,636,150</u>
EXPENDITURES				
Current:				
General government administration	\$ 510,981	\$ -	\$ -	\$ 510,981
Public safety	676,064	-	-	676,064
Public works	314,478	-	-	314,478
Parks, recreation, and cultural	9,213	-	-	9,213
Community development	66,541	231,454	-	297,995
Nondepartmental	282,539	-	-	282,539
Capital projects	59,503	-	-	59,503
Debt service:				
Principal retirement	34,353	-	-	34,353
Interest and other fiscal charges	924	-	-	924
Total expenditures	<u>\$ 1,954,596</u>	<u>\$ 231,454</u>	<u>\$ -</u>	<u>\$ 2,186,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (319,951)</u>	<u>\$ (230,687)</u>	<u>\$ 738</u>	<u>\$ (549,900)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 661,507	\$ -	\$ -	\$ 661,507
Transfers out	-	(344,575)	-	(344,575)
Issuance of capital lease	69,528	-	-	69,528
Total other financing sources (uses)	<u>\$ 731,035</u>	<u>\$ (344,575)</u>	<u>\$ -</u>	<u>\$ 386,460</u>
Net change in fund balances	\$ 411,084	\$ (575,262)	\$ 738	\$ (163,440)
Fund balances - beginning	1,215,971	578,553	1,281	1,795,805
Fund balances - ending	<u>\$ 1,627,055</u>	<u>\$ 3,291</u>	<u>\$ 2,019</u>	<u>\$ 1,632,365</u>

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

Town of Windsor, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds \$ (163,440)

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 depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Depreciation expense (32,005)

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

Property taxes 14,909

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	\$ (69,528)	
Principal retirement on capital lease	34,353	(35,175)

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	\$ 12,910	
Pension expense	(5,298)	
OPEB expense	1,440	9,052

Change in net position of governmental activities \$ (206,659)

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

Town of Windsor, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2020

	Enterprise Fund
	<u>Water</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 552,981
Investments	292,661
Accounts receivables, net of allowance for uncollectibles	62,216
Total current assets	\$ 907,858
Noncurrent assets:	
Capital assets:	
Land	\$ 40,211
Structures and improvements	963,659
Water mains	37,160
Meters and equipment	12,574
Net capital assets	\$ 1,053,604
Total noncurrent assets	\$ 1,053,604
Total assets	\$ 1,961,462
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 5,051
Accrued interest payable	3,532
Customer deposits payable	44,809
Due to other funds	5,777
Bonds payable - current portion	59,287
Total current liabilities	\$ 118,456
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 1,058,775
Total noncurrent liabilities	\$ 1,058,775
Total liabilities	\$ 1,177,231
NET POSITION	
Net investment in capital assets	\$ (64,458)
Unrestricted	848,689
Total net position	\$ 784,231

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, 2020

	Enterprise Fund
	<u>Water</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 584,638
Penalties	8,760
Total operating revenues	\$ 593,398
OPERATING EXPENSES	
Professional services	\$ 35,061
Repairs and maintenance	35,950
Maintenance contracts	26,314
Utilities	24,695
Duke Street/Va Ave project	3,975
Other supplies and expenses	16,760
Depreciation	99,351
Total operating expenses	\$ 242,106
Operating income (loss)	\$ 351,292
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 126,154
Interest income	6,563
Interest expense	(36,759)
Total nonoperating revenues (expenses)	\$ 95,958
Income (loss) before transfers	\$ 447,250
Transfers out	\$ (316,932)
Change in net position	\$ 130,318
Total net position - beginning	653,913
Total net position - ending	\$ 784,231

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, 2020

	Enterprise Fund
	Water
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 549,479
Payments for operating expenses	(185,627)
Net cash provided by (used for) operating activities	\$ 363,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (316,932)
Net cash provided by (used for) noncapital financing activities	\$ (316,932)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (55,207)
Connection and reconnection fees	126,154
Interest payments	(36,759)
Net cash provided by (used for) capital and related financing activities	\$ 34,188
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 829
Net cash provided by (used for) investing activities	\$ 829
Net increase (decrease) in cash and cash equivalents	\$ 81,937
Cash and cash equivalents - beginning	471,044
Cash and cash equivalents - ending	\$ 552,981
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 351,292
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	99,351
(Increase) decrease in accounts receivable	(43,939)
Increase (decrease) in customer deposits payable	20
Increase (decrease) in accounts payable	(42,872)
Total adjustments	\$ 12,560
Net cash provided by (used for) operating activities	\$ 363,852

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, 2020

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

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 only 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.

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.

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

Government-wide and Fund Financial Statements (Continued)

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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.

B. Individual Component Unit Disclosures

Blended Component Units. The Town has no blended component units at June 30, 2020.

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.

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

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.

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.

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

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

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 Assets Fund and Future Development Fund, which are considered major funds for reporting purposes.

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.

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

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).

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 \$30,245 at June 30, 2020 and is comprised of property taxes of \$20,632, and water and sewer charges of \$9,613.

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.

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

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 2020.

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

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

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. No liability is reported for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

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.

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

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.

N. Fund Balance

The following classifications of fund balance 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;

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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

N. Fund Balance (Continued)

- 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).

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:				
Restricted:				
Cemetery	\$ 117,624	\$ -	\$ -	\$ 117,624
Asset forfeiture	-	-	2,019	2,019
Total restricted fund balance	<u>\$ 117,624</u>	<u>\$ -</u>	<u>\$ 2,019</u>	<u>\$ 119,643</u>
Assigned:				
Future development	\$ -	\$ 3,291	\$ -	\$ 3,291
Unassigned	\$ 1,509,431	\$ -	\$ -	\$ 1,509,431
Total fund balances	<u>\$ 1,627,055</u>	<u>\$ 3,291</u>	<u>\$ 2,019</u>	<u>\$ 1,632,365</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 and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

O. Deferred Outflows/Inflows of Resources (Continued)

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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' 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.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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).
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, 2020, as adopted, appropriated and legally amended.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2020.

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.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Note 4—Due from Other Governments:

At June 30, 2020, the Town has receivables from other governments as follows:

	<u>Governmental Activities</u>
Commonwealth of Virginia:	
Local sales and use taxes	\$ 23,463
Rolling stock tax	3,720
DMV grant	2,433
Communication tax	<u>9,078</u>
Total due from other governments	<u>\$ 38,694</u>

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 1,558,118	\$ -	\$ -	\$ 1,558,118
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,174,284	\$ -	\$ -	\$ 1,174,284
Infrastructure	263,544	-	-	263,544
Machinery and equipment	632,742	69,528	-	702,270
Software	296,494	-	-	296,494
Total capital assets subject to depreciation	<u>\$ 2,367,064</u>	<u>\$ 69,528</u>	<u>\$ -</u>	<u>\$ 2,436,592</u>
Accumulated depreciation:				
Buildings and improvements	\$ 577,180	\$ 43,014	\$ -	\$ 620,194
Infrastructure	145,723	11,395	-	157,118
Machinery and equipment	539,429	34,592	-	574,021
Software	70,924	12,532	-	83,456
Total accumulated depreciation	<u>\$ 1,333,256</u>	<u>\$ 101,533</u>	<u>\$ -</u>	<u>\$ 1,434,789</u>
Total capital assets subject to depreciation, net	<u>\$ 1,033,808</u>	<u>\$ (32,005)</u>	<u>\$ -</u>	<u>\$ 1,001,803</u>
Governmental activities capital assets, net	<u><u>\$ 2,591,926</u></u>	<u><u>\$ (32,005)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,559,921</u></u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land	\$ 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	<u>\$ 4,464,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,464,436</u>
Accumulated depreciation:				
Structures and improvements	\$ 1,321,494	\$ 79,701	\$ -	\$ 1,401,195
Water mains	1,542,546	10,182	-	1,552,728
Meters and equipment	487,652	9,468	-	497,120
Total accumulated depreciation	<u>\$ 3,351,692</u>	<u>\$ 99,351</u>	<u>\$ -</u>	<u>\$ 3,451,043</u>
Total capital assets subject to depreciation, net	<u>\$ 1,112,744</u>	<u>\$ (99,351)</u>	<u>\$ -</u>	<u>\$ 1,013,393</u>
Business-type activities capital assets, net	<u>\$ 1,152,955</u>	<u>\$ (99,351)</u>	<u>\$ -</u>	<u>\$ 1,053,604</u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 34,091
Public safety	55,063
Public works	<u>12,379</u>
Total depreciation expense - governmental activities	<u>\$ 101,533</u>
Business-type activities:	
Water fund	<u>\$ 99,351</u>
Total depreciation expense - primary government	<u><u>\$ 200,884</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, 2020:

	Balance at July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Capital lease	\$ -	\$ 69,528	\$ 34,353	\$ 35,175	\$ 35,175
Net OPEB liability	48,000	14,314	8,289	54,025	-
Net pension liability	-	133,770	127,279	6,491	-
Compensated absences	68,553	-	12,910	55,643	5,564
Total Governmental Activities	<u>\$ 116,553</u>	<u>\$ 217,612</u>	<u>\$ 182,831</u>	<u>\$ 151,334</u>	<u>\$ 40,739</u>
Business-type Activities:					
General obligation bond	\$ 571,000	\$ -	\$ 36,000	\$ 535,000	\$ 38,000
Rural development bond	602,269	-	19,207	583,062	21,287
Total Business-type Activities	<u>\$ 1,173,269</u>	<u>\$ -</u>	<u>\$ 55,207</u>	<u>\$ 1,118,062</u>	<u>\$ 59,287</u>
Total Primary Government	<u><u>\$ 1,289,822</u></u>	<u><u>\$ 217,612</u></u>	<u><u>\$ 238,038</u></u>	<u><u>\$ 1,269,396</u></u>	<u><u>\$ 100,026</u></u>

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

Year Ending June 30	Governmental Activities	
	Capital Lease	
	Principal	Interest
2021	<u>\$ 35,175</u>	<u>\$ 841</u>
Total	<u><u>\$ 35,175</u></u>	<u><u>\$ 841</u></u>

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

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

Year Ending June 30	Business-type Activities			
	General Obligation Bond		Rural Development Bond	
	Principal	Interest	Principal	Interest
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	-	-	32,795	452
Total	<u>\$ 535,000</u>	<u>\$ 112,482</u>	<u>\$ 583,062</u>	<u>\$ 207,829</u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 6—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>Capital Lease:</u>	
\$69,528 capital lease issued August 5, 2019, due in annual installments of \$36,015 through June 2021 with interest due annually at 2.39%	\$ 35,175
Net OPEB liability	54,025
Net pension liability	6,491
Compensated absences	<u>55,643</u>
Total Long-term Obligations, Governmental Activities	<u>\$ 151,334</u>
<u>Business-type Activities:</u>	
<u>General Obligation Bond:</u>	
\$769,214 general obligation bond issued October 2012, due in varying sem-annual installments through September 2040 with interest due semi-annually at 3.07%	\$ 535,000
<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>583,062</u>
Total Long-term Obligations, Business-type Activities	<u>\$ 1,118,062</u>
Total Long-term Obligations, Primary Government	<u><u>\$ 1,269,396</u></u>

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 7—Unavailable Revenue and Deferred Revenue:

Deferred/unavailable revenue represent 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. Under the accrual basis, assessments for future periods are deferred.

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 49,260
Prepaid property taxes due in December 2020, but paid in advance by the taxpayers	1,081	1,081
Total deferred revenue/unavailable revenue	<u>\$ 1,081</u>	<u>\$ 50,341</u>

Note 8—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of two (2) 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.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 69,528
Less: accumulated depreciation	-
Total	<u>\$ 69,528</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year Ended June 30	Governmental Activities
2019	\$ 36,016
Total minimum lease payments	\$ 36,016
Less: amount representing interest	(841)
Present value of minimum lease payments	<u>\$ 35,175</u>

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 9—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 10—Transfers:

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 661,507	\$ -
Future Development	-	344,575
Water	-	316,932
	<u> </u>	<u> </u>
Total	<u>\$ 661,507</u>	<u>\$ 661,507</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 11—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.

Note 11—Pension Plan:

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 11—Pension Plan: (Continued)***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2018 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	3
Inactive members:	
Vested inactive members	1
Non-vested inactive members	2
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	10
Active members	<u>12</u>
Total covered employees	<u><u>25</u></u>

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11—Pension Plan: (Continued)

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.

The Town’s contractually required employer contribution rate for the year ended June 30, 2020 was 3.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$23,120 and \$23,636 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension asset is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Town, the net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality 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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 11—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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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.

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Note 11—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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Note 11—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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 11—Pension Plan: (Continued)

Discount Rate (Continued)

valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers are assumed to continue 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.

Changes in Net Pension Asset

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 1,001,105	\$ 1,035,850	\$ (34,745)
Changes for the year:			
Service cost	\$ 56,299	\$ -	\$ 56,299
Interest	69,361	-	69,361
Changes of assumptions	42,163	-	42,163
Differences between expected and actual experience	(1,010)	-	(1,010)
Contributions - employer	-	23,635	(23,635)
Contributions - employee	-	31,240	(31,240)
Net investment income	-	71,394	(71,394)
Benefit payments, including refunds			
Refunds of employee contributions	(20,456)	(20,456)	-
Administrative expenses	-	(646)	646
Other changes	-	(46)	46
Net changes	\$ 146,357	\$ 105,121	\$ 41,236
Balances at June 30, 2019	\$ 1,147,462	\$ 1,140,971	\$ 6,491

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 11—Pension Plan: (Continued)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability (Asset)	\$ 186,745	\$ 6,491	\$ (134,254)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$28,417. At June 30, 2020, 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	\$ 36,151	\$ 779
Change of assumptions	32,515	11,974
Net difference between projected and actual earnings on pension plan investments	-	10,085
Employer contributions subsequent to the measurement date	23,120	-
Total	<u>\$ 91,786</u>	<u>\$ 22,838</u>

Note 11—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$23,120 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 ending June 30, 2021. 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:

<u>Year ended June 30</u>	<u>Primary Government</u>
2020	\$ 19,601
2021	7,262
2022	14,849
2023	4,116
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan 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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI OPEB.

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Plan Description (Continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan 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 GLI Plan 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 GLI Plan from the entity were \$3,555 and \$3,388 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the entity reported a liability of \$54,025 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the participating employer’s proportion was 0.00332% as compared to 0.00319% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$1,576. 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, 2020, 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>
Differences between expected and actual experience	\$ 3,593	\$ 701
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,110
Change of assumptions	3,411	1,629
Changes in proportionate share	1,734	-
Employer contributions subsequent to the measurement date	<u>3,555</u>	<u>-</u>
Total	<u>\$ 12,293</u>	<u>\$ 3,440</u>

\$3,555 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, 2021. 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>	
2020	\$ 519
2021	519
2022	989
2023	1,418
2024	1,437
Thereafter	416

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

TOWN OF WINDSOR, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2018 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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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 12—Group Life Insurance (GLI) Plan (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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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 ended 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 70,974	\$ 54,025	\$ 40,280

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13 - 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, 2020 was \$6,049.

Note 14—Litigation:

At June 30, 2020, 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.

Note 15—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires 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 single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Note 15—Upcoming Pronouncements: (Continued)

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 295,500	\$ 295,500	\$ 298,184	\$ 2,684
Other local taxes	939,250	939,250	1,014,970	75,720
Permits, privilege fees, and regulatory licenses	3,000	3,000	5,961	2,961
Fines and forfeitures	130,000	130,000	103,737	(26,263)
Revenue from the use of money and property	13,300	13,300	20,019	6,719
Miscellaneous	18,600	27,630	15,870	(11,760)
Intergovernmental:				
Commonwealth	154,371	154,371	157,915	3,544
Federal	-	2,469	17,989	15,520
Total revenues	\$ 1,554,021	\$ 1,565,520	\$ 1,634,645	\$ 69,125
EXPENDITURES				
Current:				
General government administration	\$ 477,580	\$ 521,106	\$ 510,981	\$ 10,125
Public safety	631,262	726,084	676,064	50,020
Public works	361,197	366,197	314,478	51,719
Parks, recreation, and cultural	14,250	15,455	9,213	6,242
Community development	79,399	79,399	66,541	12,858
Nondepartmental	224,905	284,905	282,539	2,366
Capital projects	16,500	440,075	59,503	380,572
Debt service:				
Principal retirement	35,000	35,000	34,353	647
Interest and other fiscal charges	-	-	924	(924)
Total expenditures	\$ 1,840,093	\$ 2,468,221	\$ 1,954,596	\$ 513,625
Excess (deficiency) of revenues over (under) expenditures	\$ (286,072)	\$ (902,701)	\$ (319,951)	\$ 582,750
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 272,572	\$ 661,147	\$ 661,507	\$ 360
Issuance of capital lease	-	69,528	69,528	-
Total other financing sources (uses)	\$ 272,572	\$ 730,675	\$ 731,035	\$ 360
Net change in fund balances	\$ (13,500)	\$ (172,026)	\$ 411,084	\$ 583,110
Fund balances - beginning	13,500	172,026	1,215,971	1,043,945
Fund balances - ending	\$ -	\$ -	\$ 1,627,055	\$ 1,627,055

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 767	\$ 267
Total revenues	\$ 500	\$ 500	\$ 767	\$ 267
EXPENDITURES				
Current:				
Community development	\$ 25,000	\$ 256,455	\$ 231,454	\$ 25,001
Total expenditures	\$ 25,000	\$ 256,455	\$ 231,454	\$ 25,001
Excess (deficiency) of revenues over (under) expenditures	\$ (24,500)	\$ (255,955)	\$ (230,687)	\$ 25,268
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (344,575)	\$ (344,575)	\$ -
Total other financing sources (uses)	\$ -	\$ (344,575)	\$ (344,575)	\$ -
Net change in fund balances	\$ (24,500)	\$ (600,530)	\$ (575,262)	\$ 25,268
Fund balances - beginning	24,500	600,530	578,553	(21,977)
Fund balances - ending	\$ -	\$ -	\$ 3,291	\$ 3,291

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2	\$ 2
Intergovernmental:				
Commonwealth	-	-	736	736
Total revenues	\$ -	\$ -	\$ 738	\$ 738
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ 738	\$ 738
Fund balances - beginning	-	-	1,281	1,281
Fund balances - ending	\$ -	\$ -	\$ 2,019	\$ 2,019

Town of Windsor, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Pension Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 56,299	\$ 53,456	\$ 63,729	\$ 56,628	\$ 54,488	\$ 62,654
Interest	69,361	60,832	53,897	45,748	47,780	42,134
Changes of assumptions	42,163	-	(28,918)	-	-	-
Differences between expected and actual experience	(1,010)	28,581	29,536	29,625	(106,941)	-
Benefit payments, including refunds of employee contributions	(20,456)	(21,581)	(16,769)	(14,392)	(34,320)	(13,959)
Net change in total pension liability	<u>\$ 146,357</u>	<u>\$ 121,288</u>	<u>\$ 101,475</u>	<u>\$ 117,609</u>	<u>\$ (38,993)</u>	<u>\$ 90,829</u>
Total pension liability - beginning	<u>1,001,105</u>	<u>879,817</u>	<u>778,342</u>	<u>660,733</u>	<u>699,726</u>	<u>608,897</u>
Total pension liability - ending (a)	<u><u>\$ 1,147,462</u></u>	<u><u>\$ 1,001,105</u></u>	<u><u>\$ 879,817</u></u>	<u><u>\$ 778,342</u></u>	<u><u>\$ 660,733</u></u>	<u><u>\$ 699,726</u></u>
Plan fiduciary net position						
Contributions - employer	\$ 23,635	\$ 28,994	\$ 29,072	\$ 38,880	\$ 34,816	\$ 43,896
Contributions - employee	31,240	29,837	29,792	28,991	25,958	25,551
Net investment income	71,394	69,949	99,949	14,361	30,738	86,817
Benefit payments, including refunds of employee contributions	(20,456)	(21,581)	(16,769)	(14,392)	(34,320)	(13,959)
Administrative expense	(646)	(560)	(527)	(410)	(385)	(417)
Other	(46)	(64)	(91)	(6)	(4)	5
Net change in plan fiduciary net position	<u>\$ 105,121</u>	<u>\$ 106,575</u>	<u>\$ 141,426</u>	<u>\$ 67,424</u>	<u>\$ 56,803</u>	<u>\$ 141,893</u>
Plan fiduciary net position - beginning	<u>1,035,850</u>	<u>929,275</u>	<u>787,849</u>	<u>720,425</u>	<u>663,622</u>	<u>521,729</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,140,971</u></u>	<u><u>\$ 1,035,850</u></u>	<u><u>\$ 929,275</u></u>	<u><u>\$ 787,849</u></u>	<u><u>\$ 720,425</u></u>	<u><u>\$ 663,622</u></u>
Town's net pension liability (asset) - ending (a) - (b)	\$ 6,491	\$ (34,745)	\$ (49,458)	\$ (9,507)	\$ (59,692)	\$ 36,104
Plan fiduciary net position as a percentage of the total pension liability	99.43%	103.47%	105.62%	101.22%	109.03%	94.84%
Covered payroll	\$ 651,544	\$ 606,933	605,061	\$ 588,613	\$ 527,258	\$ 512,377
Town's net pension liability (asset) as a percentage of covered payroll	1.00%	-5.72%	-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, 2011 through June 30, 2020

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					
2020	\$ 23,120	\$ 23,120	\$ -	\$ 683,701	3.38%
2019	23,636	23,636	-	651,544	3.63%
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%

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, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Town of Windsor, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2019

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)
2019	0.00332% \$	54,025 \$	651,544	8.29%	52.00%
2018	0.00319%	48,000	606,933	7.91%	51.22%
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 (GLI) Plan
 For the Years Ended June 30, 2011 through June 30, 2020

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)
2020	\$ 3,555	\$ 3,555	\$ -	\$ 683,701	0.52%
2019	3,388	3,388	-	651,544	0.52%
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%

Town of Windsor, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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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, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 29,670
Total assets	\$ 29,670

NET POSITION

Unrestricted	\$ 29,670
Total net position	\$ 29,670

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, 2020

OPERATING REVENUES

Charges for services:

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

OPERATING EXPENSES

Other charges	\$ 1,788
Total operating expenses	<u>\$ 1,788</u>

Operating income (loss)	<u>\$ 3,212</u>
-------------------------	-----------------

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 59
Total nonoperating revenues (expenses)	<u>\$ 59</u>

Change in net position	\$ 3,271
------------------------	----------

Total net position - beginning	26,399
Total net position - ending	<u><u>\$ 29,670</u></u>

Town of Windsor, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	5,000
Payments to suppliers		(1,788)
Net cash provided by (used for) operating activities	\$	3,212

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	59
Net cash provided by (used for) investing activities	\$	59

Net increase (decrease) in cash and cash equivalents	\$	3,271
--	----	-------

Cash and cash equivalents - beginning		26,399
---------------------------------------	--	--------

Cash and cash equivalents - ending	\$	29,670
------------------------------------	----	--------

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

Operating income (loss)	\$	3,212
Net cash provided by (used for) operating activities	\$	3,212

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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, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$ 98,661
Total assets	\$ 98,661

LIABILITIES

Current liabilities:	
Line of credit payable	\$ 78,191
Total liabilities	\$ 78,191

NET POSITION

Unrestricted	\$ 20,470
Total net position	\$ 20,470

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, 2020

OPERATING REVENUES

Contribution from Town of Windsor	\$	86,682
Contribution from County of Isle of Wight		12,500
Rental income		2,550
Total operating revenues	\$	<u>101,732</u>

OPERATING EXPENSES

Professional services	\$	163,142
Total operating expenses	\$	<u>163,142</u>

Operating income (loss)	\$	<u>(61,410)</u>
-------------------------	----	-----------------

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	407
Total nonoperating revenues (expenses)	\$	<u>407</u>

Change in net position	\$	(61,003)
------------------------	----	----------

Total net position - beginning		81,473
Total net position - ending	\$	<u><u>20,470</u></u>

Town of Windsor, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Community Recreation Center
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from donors	\$ 2,550
Receipts for local government contributions	99,182
Payments to suppliers	(163,142)
Net cash provided by (used for) operating activities	<u>\$ (61,410)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 407
Drawdowns on line of credit	(135,688)
Net cash provided by (used for) investing activities	<u>\$ (135,281)</u>

Net increase (decrease) in cash and cash equivalents \$ (196,691)

Cash and cash equivalents - beginning	295,352
Cash and cash equivalents - ending	<u>\$ 98,661</u>

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

Operating income (loss)	\$ (61,410)
Net cash provided by (used for) operating activities	<u>\$ (61,410)</u>

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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, 2020

<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	\$ 200,000	\$ 200,000	\$ 195,192	\$ (4,808)
Real and personal public service corporation taxes	11,500	11,500	10,622	(878)
Personal property taxes	80,000	80,000	87,047	7,047
Penalties and interest	4,000	4,000	5,323	1,323
Total general property taxes	<u>\$ 295,500</u>	<u>\$ 295,500</u>	<u>\$ 298,184</u>	<u>\$ 2,684</u>
Other local taxes:				
Local sales and use taxes	\$ 110,000	\$ 110,000	\$ 133,920	\$ 23,920
Consumers' utility taxes	91,500	91,500	86,737	(4,763)
Consumption tax	-	-	10,130	10,130
Bank franchise taxes	130,000	130,000	129,454	(546)
Business license taxes	130,000	130,000	110,538	(19,462)
Motor vehicle licenses	41,500	41,500	40,594	(906)
Cigarette taxes	71,250	71,250	90,000	18,750
Restaurant food taxes	365,000	365,000	413,597	48,597
Total other local taxes	<u>\$ 939,250</u>	<u>\$ 939,250</u>	<u>\$ 1,014,970</u>	<u>\$ 75,720</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 3,000	\$ 3,000	\$ 5,961	\$ 2,961
Fines and forfeitures:				
Traffic fines	\$ 130,000	\$ 130,000	\$ 103,737	\$ (26,263)
Revenue from use of money and property:				
Revenue from use of money	\$ 11,500	\$ 11,500	\$ 18,819	\$ 7,319
Revenue from use of property	1,800	1,800	1,200	(600)
Total revenue from use of money and property	<u>\$ 13,300</u>	<u>\$ 13,300</u>	<u>\$ 20,019</u>	<u>\$ 6,719</u>
Miscellaneous:				
Miscellaneous	\$ 18,600	\$ 27,630	\$ 15,870	\$ (11,760)
Total revenue from local sources	<u>\$ 1,399,650</u>	<u>\$ 1,408,680</u>	<u>\$ 1,458,741</u>	<u>\$ 50,061</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 4,000	\$ 4,000	\$ 4,170	170
Rolling stock tax	-	-	3,743	\$ 3,743
Communications tax	58,000	58,000	55,512	(2,488)
Personal property tax relief funds	19,550	19,550	19,527	(23)
Total noncategorical aid	<u>\$ 81,550</u>	<u>\$ 81,550</u>	<u>\$ 82,952</u>	<u>\$ 1,402</u>

Town of Windsor, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<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	\$ 61,321	\$ 61,321	\$ 63,712	\$ 2,391
Litter control	1,500	1,500	1,251	(249)
Fire programs	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 72,821</u>	<u>\$ 72,821</u>	<u>\$ 74,963</u>	<u>\$ 2,142</u>
Total categorical aid	<u>\$ 72,821</u>	<u>\$ 72,821</u>	<u>\$ 74,963</u>	<u>\$ 2,142</u>
Total revenue from the Commonwealth	<u>\$ 154,371</u>	<u>\$ 154,371</u>	<u>\$ 157,915</u>	<u>\$ 3,544</u>
Revenue from the federal government:				
Other categorical aid:				
DMV grant	\$ -	\$ -	\$ 15,520	\$ 15,520
Law enforcement grant	-	2,469	2,469	-
Total other categorical aid	<u>\$ -</u>	<u>\$ 2,469</u>	<u>\$ 17,989</u>	<u>\$ 15,520</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 2,469</u>	<u>\$ 17,989</u>	<u>\$ 15,520</u>
Total General Fund	<u>\$ 1,554,021</u>	<u>\$ 1,565,520</u>	<u>\$ 1,634,645</u>	<u>\$ 69,125</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	\$ 767	\$ 267
Total Future Development Fund	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 767</u>	<u>\$ 267</u>
Forfeited Assets Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2	\$ 2
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Asset forfeiture funds	\$ -	\$ -	\$ 736	\$ 736
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736</u>	<u>\$ 736</u>
Total Forfeited Assets Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738</u>	<u>\$ 738</u>
Total Primary Government	<u>\$ 1,554,521</u>	<u>\$ 1,566,020</u>	<u>\$ 1,636,150</u>	<u>\$ 70,130</u>

Town of Windsor, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<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	\$ 31,350	\$ 31,350	\$ 25,472	\$ 5,878
General and financial administration	417,980	461,506	467,637	(6,131)
Legal services	28,250	28,250	17,872	10,378
Total general government administration	<u>\$ 477,580</u>	<u>\$ 521,106</u>	<u>\$ 510,981</u>	<u>\$ 10,125</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 621,262	\$ 701,084	\$ 666,064	\$ 35,020
Fire and rescue services:				
Fire department	\$ 10,000	\$ 25,000	\$ 10,000	\$ 15,000
Total public safety	<u>\$ 631,262</u>	<u>\$ 726,084</u>	<u>\$ 676,064</u>	<u>\$ 50,020</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Property maintenance	\$ 265,197	\$ 270,197	\$ 224,735	\$ 45,462
Sanitation and waste removal:				
Refuse collection	\$ 96,000	\$ 96,000	\$ 89,743	\$ 6,257
Total public works	<u>\$ 361,197</u>	<u>\$ 366,197</u>	<u>\$ 314,478</u>	<u>\$ 51,719</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Cultural events	\$ 14,250	\$ 15,455	\$ 9,213	\$ 6,242
Total parks, recreation, and cultural	<u>\$ 14,250</u>	<u>\$ 15,455</u>	<u>\$ 9,213</u>	<u>\$ 6,242</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 69,399	\$ 69,399	\$ 57,821	\$ 11,578
Economic development	10,000	10,000	8,720	1,280
Total community development	<u>\$ 79,399</u>	<u>\$ 79,399</u>	<u>\$ 66,541</u>	<u>\$ 12,858</u>
Nondepartmental:				
Contingency	\$ 20,509	\$ 20,509	\$ 20,532	\$ (23)
Contribution to Community Recreation Center	90,000	90,000	86,682	3,318
Contribution - library	1,200	1,200	1,200	-
Contribution - TRIAD	1,000	1,000	1,000	-
Insurance	40,000	40,000	42,704	(2,704)
Vacation buyback	12,196	12,196	11,461	735
Payments to other governments	60,000	120,000	118,960	1,040
Total nondepartmental	<u>\$ 224,905</u>	<u>\$ 284,905</u>	<u>\$ 282,539</u>	<u>\$ 2,366</u>

Town of Windsor, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<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	\$ 500	\$ 500	\$ 286	\$ 214
Information technology upgrade	2,500	2,500	1,940	560
Financial software upgrade	-	35,000	38,086	(3,086)
Public works construction	-	388,575	5,898	382,677
Police department technology	13,500	13,500	13,293	207
Total capital projects	<u>\$ 16,500</u>	<u>\$ 440,075</u>	<u>\$ 59,503</u>	<u>\$ 380,572</u>
Debt service:				
Principal retirement	\$ 35,000	\$ 35,000	\$ 34,353	\$ 647
Interest and other fiscal charges	-	-	924	(924)
Total debt service	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 35,277</u>	<u>\$ (277)</u>
Total General Fund	<u>\$ 1,840,093</u>	<u>\$ 2,468,221</u>	<u>\$ 1,954,596</u>	<u>\$ 513,625</u>
Special Revenue Funds:				
Future Development Fund:				
Community development:				
Planning and community development:				
Space needs	\$ 25,000	\$ 256,455	\$ 231,454	\$ 25,001
Total Future Development Fund	<u>\$ 25,000</u>	<u>\$ 256,455</u>	<u>\$ 231,454</u>	<u>\$ 25,001</u>
Total Primary Government	<u>\$ 1,865,093</u>	<u>\$ 2,724,676</u>	<u>\$ 2,186,050</u>	<u>\$ 538,626</u>

OTHER STATISTICAL INFORMATION

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Table 1

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	
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
2019		670,809		663,898		315,066		13,222		358,420		-		923		294,505		2,316,843
2020		768,471		677,941		330,970		10,413		385,931		-		924		278,865		2,453,515

(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			
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	
2019	659,056	83,796		318,831	995,479	19,882	90,685		2,167,729	
2020	829,250	93,688		313,093	1,030,840	27,351	82,952		2,377,174	

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
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
2019	458,620	618,441	310,665	12,022	65,867	60,838	422,394	1,948,847
2020	510,981	676,064	314,478	9,213	297,995	35,277	282,539	2,126,547

(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
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
2019	296,835	967,643	2,600	124,176	14,367	27,836	174,481	1,607,938
2020	298,184	1,014,970	5,961	103,737	20,788	15,870	176,640	1,636,150

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
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%
2019	316,511	300,182	94.84%	11,021	311,203	98.32%	52,293	16.52%
2020	345,393	292,861	84.79%	-	292,861	84.79%	70,522	20.42%

(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
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
2019	199,082,700	22,770,792	929,107	7,014,807	9,301,665	239,099,071
2020	210,482,900	22,496,148	1,023,591	6,032,629	10,581,353	250,616,621

(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
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
2019	0.10	0.50	0.10	0.10	0.10	0.50
2020	0.10	0.50	0.25	0.10	0.10	0.50

(1) Per \$100 of assessed value.

Table 8

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%	-	
2019	2,626	239,099,071	-	-	-	0.00%	-	
2020	2,626	250,616,621	-	-	-	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.

Town of Windsor, Virginia
Computation of Legal Debt Margin
June 30, 2020

Assessed value of real property, January 1, 2019 (1)	<u>\$ 220,250,043</u>
Debt limit: 10% of assessed value	\$ 22,025,004
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 1,118,062
Less: Revenue bonds	<u>-</u>
Net general obligation bonds and loans	<u>\$ 1,118,062</u>
Legal debt limit	<u><u>\$ 20,906,942</u></u>

(1) Assessed value of real property, including public service corporations as of January 1, 2019.

(2) Includes bonded debt and long-term notes payable.

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COMPLIANCE

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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; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of Town of Windsor, Virginia, as of and for the year ended June 30, 2020, 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 May 7, 2021.

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) as a basis for designing 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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 financial statements. 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
May 7, 2021

Town of Windsor, Virginia
 Schedule of Findings and Responses
 For the Year Ended June 30, 2020

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 2020-001: 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 FY21.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2020 (Continued)

Section II-Financial Statement Findings (Continued)

Finding 2020-002: 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 FY21.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2020 (Continued)

Section III-Status of Prior Year Findings

2019-001:

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.

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.

Current Status:

Finding 2019-001 is repeated in the current year as 2020-001.

2019-002:

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.

Recommendation:

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

Current Status:

Finding 2019-002 is repeated in the current year as 2020-002.

2019-003:

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.

Recommendation:

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

Current Status:

Finding 2019-003 was corrected for FY 2020.

Town of Windsor, Virginia
Schedule of Findings and Responses
For the Year Ended June 30, 2020 (Continued)

Section III-Status of Prior Year Findings (Continued)

2019-004:

Condition:

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

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.

Current Status:

Findng 2019-004 was corrected for FY 2020.

2019-005:

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.

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.

Current Status:

Findng 2019-005 was corrected for FY 2020.