

Town of Windsor, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2017

Town of Windsor, Virginia

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TOWN OF WINDSOR, VIRGINIA

Directory of Officials

June 30, 2017

Mayor

Carita J. Richardson

Vice Mayor

J Clinton Bryant

Council Members

Tony Ambrose

N. Macon Edwards, III

Patty Flemming

Durwood V. Scott

Greg Willis

Town Manager

Michael Stallings

Treasurer

Christina N. Jernigan

Town Clerk

Terry Whitehead

Management's Discussion and Analysis

The following is management's discussion and analysis of this report. The discussion and analysis of the Town's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements following this section.

Financial Highlights

The following are a few financial highlights in the fund financial statements for the fiscal year ending June 30, 2017:

- General Fund revenues were \$55,591 less than originally anticipated by Town Council for the year's final operating budget.
- General fund expenditures were \$243,253 less than appropriated by Town Council for the year's final operating budget.
- The fund balance of the governmental funds was increased from \$2,343,176 to an ending balance of \$2,406,757.
- The revenues of the proprietary (water) fund were \$382,669 less than originally anticipated by Town Council for the final operating budget of the year.
- The expenditures of the proprietary (water) fund were \$263,932 less than originally anticipated by Town Council for the final operating budget of the year.
- The Proprietary fund balance decreased from \$890,996 to \$772,259 during the fiscal year ending June 30, 2017.

Using This Report

Overview of the Financial Statements

We intend that the reader use this discussion and analysis as an introduction to the Town of Windsor's basic financial statements. The following three components comprise the Town's basic financial statements:

- Government-wide financial statements,
- Fund financial statements,
- Discretely presented component unit financial statements, and
- Notes to the financial statements.

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

Management's Discussion and Analysis

Government-wide Financial Statements

We have designed the government-wide financial statements so as to provide the reader with a broad overview of the Town's finances and in a manner that is similar to a private sector business. The Statement of Net Assets presents information on all of the Town's assets and liabilities, and we report the difference of the two as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the Town's financial position is improving or deteriorating. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. We report all changes in net assets as soon as the underlying event that gives rise to the change occurs, regardless of the timing of related cash flows. Therefore, we report revenues and expenses in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government administration, public safety, public works, and community development. The Town's business-type activities include the Water Fund.

The reader can find the government-wide financial statements on pages 4 and 5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that the governmental unit segregates for specific activities or objectives. The Town of Windsor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are divided into two categories: *governmental funds* and *proprietary funds*.

Governmental Funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources. The reader may find such information useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reader can find the basic governmental fund financial statements on pages 50 through 56 of this report.

Management's Discussion and Analysis

Proprietary Funds

The Town maintains the proprietary fund to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the proprietary fund to account for its Water Fund. This fund has been included in the government-wide financial statements.

The reader can find the basic proprietary fund financial statements on pages 11 through 16 of this report.

The Town of Windsor adopts an annual appropriated budget for the General Fund, Water Fund and Future Development Fund. We provide a budgetary comparison statement for the Funds to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader can find the notes to the financial statements on pages 19 through 51 of this report.

Government-wide Financial Analysis

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

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 2,525,177	\$ 2,499,601	\$ 734,712	\$ 971,140	\$ 3,259,889	\$ 3,470,741
Capital assets	2,601,681	2,527,228	1,352,992	1,416,269	3,954,673	3,943,497
Deferred Outflows	25,447	32,833	7,011	9,046	32,458	41,879
Total assets	\$ 5,152,305	\$ 5,059,662	\$ 2,094,715	\$ 2,396,455	\$ 7,247,020	\$ 7,456,117

Long-term liabilities	\$ -	\$ -	\$ 1,193,892	\$ 1,381,653	\$ 1,193,892	\$ 1,381,653
Other liabilities	110,967	221,315	124,985	123,806	235,952	345,121
Deferred inflows	12,990	78,326	3,579	21,580	16,569	99,906
Total liabilities	\$ 123,957	\$ 221,315	\$ 1,318,877	\$ 1,505,459	\$ 1,446,413	\$ 1,726,774

Invested in capital assets, net of related debt	\$ 2,601,681	\$ 2,493,865	\$ 112,799	\$ (6,600)	\$ 2,714,480	\$ 2,487,265
Unrestricted	2,426,667	2,344,482	659,460	897,596	3,086,127	3,242,078
Total net assets	\$ 5,028,348	\$ 4,838,347	\$ 772,259	\$ 890,996	\$ 5,800,607	\$ 5,729,343

By far, the largest portion of the Town of Windsor's net assets, 69%, reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, vehicles and equipment and software.)

Management's Discussion and Analysis

Governmental Activities

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

	Governmental activities		Business Activities		Total	
REVENUES	2017	2016	2017	2016	2017	2016
Program services:						
Charges for services	\$ 290,342	\$ 454,273	\$ 511,437	\$ 546,636	\$ 801,779	\$ 1,000,909
Operating grants	79,473	78,657	-	-	79,473	78,657
General revenues						
Property taxes	307,940	296,553	-	-	307,940	296,553
Other taxes	961,747	933,821	-	-	961,747	933,821
Interest	14,969	13,906	4,394	4,736	19,363	18,642
Total revenues	\$ 1,654,471	\$ 1,777,210	\$ 515,831	\$ 551,372	\$ 2,170,302	\$ 2,328,582

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

	Governmental Activities		Business Activities		Total	
EXPENDITURES	2017	2016	2017	2016	2017	2016
General government	\$ 400,976	\$ 350,177	\$ -	\$ -	\$ 400,976	\$ 350,177
Public safety	590,021	600,617	-	-	590,021	600,617
Public works	224,286	221,366	-	-	224,286	221,366
Community development	268,011	97,552	-	-	268,011	97,552
Non departmental	96,176	134,819	-	-	96,176	134,819
Water services	-	-	519,568	455,748	519,568	455,748
Total expenditures	\$ 1,579,470	\$ 1,404,531	\$ 519,568	\$ 455,748	\$ 2,099,038	\$ 1,860,279

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

General Fund revenues were \$55,591 less than budgeted, and expenditures were \$243,253 less than budgeted. The net outcome was that actual expenditures exceeded actual revenues by \$7,368.

The Water Fund's actual revenues were less than budgeted by \$382,669. Expenditures were \$263,932 less than the budget. The net outcome was that actual expenditures exceeded actual revenues by \$118,737.

Economic Factors

The Town receives the bulk of its revenues from real estate and personal property tax, meals tax, licenses and traffic fines. Since some of these revenues are economically driven, the state of the economy significantly impacts the Town's economic well-being. In this regard, the Town needs to continue to strive to diversify its tax base with additional commercial and industrial developments.

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Members of Town Council
Town of Windsor, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, and each major fund of the Town of Windsor, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, and each major fund of the Town of Windsor, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the Governmental and Proprietary Funds for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Effective July 1, 2016, the Town of Windsor adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board ("GASB") Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Windsor, Virginia's basic financial statements. The introductory and statistical section, as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the Town of Windsor, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Windsor, Virginia's internal control over financial reporting and compliance.

A. Rohm, Smith & Company

Newport News, Virginia

January 29, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA

Statement of Net Position

June 30, 2017

	Governmental	Business-type		Component	Total
	Activities	Activities	Total	Units	Reporting
					Entity
ASSETS					
Cash and cash equivalents					
Unrestricted	\$ 1,706,043	\$ 339,047	\$ 2,045,090	\$ -	\$ 2,045,090
Restricted	159,771	-	159,771	267,682	427,453
Receivables					
Taxes (net of allowance for uncollectibles)	101,081	-	101,081	-	101,081
Other receivables	-	112,797	112,797	-	112,797
Due from other governmental units	20,037	-	20,037	-	20,037
Internal balances	5,777	(5,777)	-	-	-
Investments	525,015	279,580	804,595	-	804,595
Net pension asset	7,453	2,054	9,507	-	9,507
Capital assets (net of accumulated depreciation)	824,642	1,319,792	2,144,434	-	2,144,434
Capital assets (not being depreciated)	1,777,039	40,211	1,817,250	34,010	1,851,260
Total assets	5,126,858	2,087,704	7,214,562	301,692	7,516,254
DEFERRED OUTFLOW OF RESOURCES					
Employer contributions subsequent to the measurement date	25,447	7,011	32,458	-	32,458
Total assets and deferred outflow of resources	\$ 5,152,305	\$ 2,094,715	\$ 7,247,020	\$ 301,692	\$ 7,548,712
LIABILITIES					
Accounts payable	\$ 16,539	\$ 6,246	\$ 22,785	\$ -	\$ 22,785
Accrued expenses	93,338	13,682	107,020	-	107,020
Deposits payable	-	51,745	51,745	-	51,745
Due to Police Department	1,090	-	1,090	-	1,090
General obligation bonds payable -					-
Due within one year	-	53,312	53,312	-	53,312
Due in more than one year	-	1,193,892	1,193,892	-	1,193,892
Total liabilities	110,967	1,318,877	1,429,844	-	1,429,844
DEFERRED INFLOW OF RESOURCES					
Net difference between projected and actual earnings on pension plan investments	12,990	3,579	16,569	-	16,569
Total liabilities and deferred inflow of resources	123,957	1,322,456	1,446,413	-	1,446,413
NET POSITION					
Invested in capital assets, net of related debt	2,601,681	112,799	2,714,480	34,010	2,748,490
Unrestricted	2,426,667	659,460	3,086,127	267,682	3,353,809
Total net position	5,028,348	772,259	5,800,607	301,692	6,102,299
Total liabilities, deferred inflow of resources and net position	\$ 5,152,305	\$ 2,094,715	\$ 7,247,020	\$ 301,692	\$ 7,548,712

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position			Total Reporting Entity
		Charges for Services	Operating Grants and Contributions	Primary Government	Business-type Activity	Component Units	
Primary government:							
Governmental activities:							
General government administration	\$ 400,976	\$ 133,879	\$ 1,031	\$ (266,066)	\$ -	\$ -	\$ (266,066)
Public safety	590,021	151,163	78,442	(360,416)	-	-	(360,416)
Public works	224,286	-	-	(224,286)	-	-	(224,286)
Community development	268,011	-	-	(268,011)	-	-	(268,011)
Nondepartmental	96,176	5,300	-	(90,876)	-	-	(90,876)
Total governmental activities	1,579,470	290,342	79,473	(1,209,655)	-	-	(1,209,655)
Business-type activities:							
Water services	519,568	511,437	-	-	(8,131)	-	(8,131)
Total business-type activities	519,568	511,437	-	-	(8,131)	-	(8,131)
Total primary government	2,099,038	801,779	79,473	(1,209,655)	(8,131)	-	(1,217,786)
Component Units:							
Community Recreation Center	772	-	30,866	-	-	30,094	30,094
Economic Development Authority	650	-	-	-	-	(650)	(650)
Total component units	\$ 1,422	\$ -	\$ 30,866	-	-	29,444	29,444
General Revenues:							
Real estate and personal property taxes				307,940	-	-	307,940
Local sales and use taxes				109,003	-	-	109,003
Consumers' utility taxes				92,948	-	-	92,948
Merchants & other licenses				118,066	-	-	118,066
Bank franchise tax				158,018	-	-	158,018
Communication taxes				62,823	-	-	62,823
Meals taxes				317,545	-	-	317,545
Other local revenue				103,344	-	-	103,344
Investment earnings				14,969	4,394	193	19,556
Contributions from primary government				-	-	205,000	205,000
Total general revenues				1,284,656	4,394	205,193	1,494,243
Changes in net position				75,001	(3,737)	234,637	305,901
NET POSITION							
Beginning				4,838,347	890,996	-	5,729,343
Prior period adjustment				-	-	67,055	67,055
Transfers				115,000	(115,000)	-	-
Ending				\$ 5,028,348	\$ 772,259	\$ 301,692	\$ 6,102,299

See accompanying notes

TOWN OF WINDSOR, VIRGINIA**Balance Sheet
Governmental Funds
June 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents			
Unrestricted	\$ 719,050	\$ 986,993	\$ 1,706,043
Restricted	112,009	47,762	159,771
Receivables			
Taxes (net of allowances for uncollectibles)	101,081	-	101,081
Due from water fund	5,777	-	5,777
Due from other governmental units	20,037	-	20,037
Investments	525,015	-	525,015
Total assets	<u>\$ 1,482,969</u>	<u>\$ 1,034,755</u>	<u>\$ 2,517,724</u>
LIABILITIES			
Accounts payable	\$ 16,539	\$ -	\$ 16,539
Accrued expenses	93,338	-	93,338
Due to police department	1,090	-	1,090
Total liabilities	110,967	-	110,967
FUND BALANCES			
Unassigned	1,372,002	1,034,755	2,406,757
Total liabilities and fund balances	<u>\$ 1,482,969</u>	<u>\$ 1,034,755</u>	<u>\$ 2,517,724</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position
June 30, 2017

Total governmental fund balances	\$ 2,406,757
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Amounts reported for government activities in the statement
of net position are different because:

Capital assets used in the governmental activity are not financial resources and, therefore, not reported in the funds.	2,601,681
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The net pension asset is not a receivable in the current period and, therefore, is not reported as an asset in the governmental funds.	7,453
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Actual earnings on pension plan investments, changes in differences in proportion and differences between employer contributions and proportionate share of contributions, and contributions subsequent to the measurement date are not reported in the governmental funds.	<u>12,457</u>
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Total net position of governmental activities	<u>\$ 5,028,348</u>
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TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 307,940	\$ -	\$ 307,940
Other local taxes	819,087	-	819,087
Revenue from other sources	312,773	-	312,773
Miscellaneous revenue	58,683	2,057	60,740
Revenues from the Commonwealth	92,951	-	92,951
Reimbursements from other funds	60,980	-	60,980
Total revenues	<u>1,652,414</u>	<u>2,057</u>	<u>1,654,471</u>
EXPENDITURES			
General government administration	332,313	-	332,313
Public safety	523,657	-	523,657
Public works	215,482	-	215,482
Community development	67,940	-	67,940
Capital outlays	185,514	-	185,514
Non-departmental	101,093	46,108	147,201
Total expenditures	<u>1,425,999</u>	<u>46,108</u>	<u>1,472,107</u>
Excess (deficit) of revenues over expenditures	<u>226,415</u>	<u>(44,051)</u>	<u>182,364</u>
OTHER FINANCING SOURCES (USES)			
Payment on police car debt	(33,783)	-	(33,783)
Contributions	(200,000)	-	(200,000)
Total other financing sources and uses	<u>(233,783)</u>	<u>-</u>	<u>(233,783)</u>
Excess of expenditures and other financing uses over revenues	(7,368)	(44,051)	(51,419)
FUND BALANCES			
Beginning	1,364,370	978,806	2,343,176
Transfer	15,000	100,000	115,000
Ending	<u>\$ 1,372,002</u>	<u>\$ 1,034,755</u>	<u>\$ 2,406,757</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Government-wide Statement of Activities
Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	\$ (51,419)
Governmental funds report loan payments as expenses. However, in the statement of net position, the payments are offset against loan payable.	33,363
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	74,453
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension costs	<u>18,604</u>
Change in net position of governmental activities	<u>\$ 75,001</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
General property taxes	\$ 293,975	\$ 293,975	\$ 307,940	\$ 13,965
Other local taxes	757,000	757,000	819,087	62,087
Revenue from other sources	317,500	317,500	312,773	(4,727)
Miscellaneous revenue	33,100	37,886	58,683	20,797
Revenues from the Commonwealth	112,289	125,664	92,951	(32,713)
Reimbursements from other funds	175,980	175,980	60,980	(115,000)
Total revenues	<u>1,689,844</u>	<u>1,708,005</u>	<u>1,652,414</u>	<u>(55,591)</u>
EXPENDITURES				
General government administration	341,970	400,170	332,313	67,857
Public safety	536,981	552,387	523,657	28,730
Public works	252,200	252,200	215,482	36,718
Community development	102,063	104,213	67,940	36,273
Capital outlays	324,885	467,400	185,514	281,886
Non-departmental	122,630	126,665	101,093	25,572
Total expenditures	<u>1,680,729</u>	<u>1,903,035</u>	<u>1,425,999</u>	<u>477,036</u>
Excess (deficit) of revenues over expenditures	<u>9,115</u>	<u>(195,030)</u>	<u>226,415</u>	<u>421,445</u>
OTHER FINANCING SOURCES AND (USES)				
Payment on police car debt	-	-	(33,783)	(33,783)
Contributions	-	-	(200,000)	(200,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(233,783)</u>	<u>(233,783)</u>
Excess of expenditures over revenues and other financing sources and uses	<u>9,115</u>	<u>(195,030)</u>	<u>(7,368)</u>	<u>187,662</u>
FUND BALANCES				
Beginning	-	-	1,364,370	1,364,370
Transfers	<u>(9,115)</u>	<u>195,030</u>	<u>15,000</u>	<u>(180,030)</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,372,002</u>	<u>\$ 1,372,002</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA

Statement of Fund Net Position

Proprietary Fund

June 30, 2017

	Proprietary Fund (Water)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 339,047
Accounts receivable, net	112,797
Net pension asset	2,054
Investments	<u>279,580</u>
Total current assets	<u>733,478</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation	1,319,792
Capital assets, not being depreciated	<u>40,211</u>
Total noncurrent assets	<u>1,360,003</u>
Total assets	2,093,481
DEFERRED OUTFLOW OF RESOURCES	
Employer contributions subsequent to the measurement date	<u>7,011</u>
Total assets and deferred outflow of resources	<u>\$ 2,100,492</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA

Statement of Fund Net Position

Proprietary Fund

June 30, 2017

	Proprietary Fund (Water)
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 6,246
Accrued expenses	13,682
Customer deposits payable	51,745
Due to General fund	5,777
General obligation bonds - current portion	<u>53,312</u>
Total current liabilities	130,762
NONCURRENT LIABILITIES	
General obligation bonds, net	<u>1,193,892</u>
Total liabilities	1,324,654
DEFERRED INFLOW OF RESOURCES	
Net difference between projected and actual earnings on plan investments	<u>3,579</u>
Total liabilities and deferred inflow of resources	<u>1,328,233</u>
NET POSITION	
Investment in capital assets, net of related debt	112,799
Unrestricted	<u>659,460</u>
Total net position	<u>772,259</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 2,100,492</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2017

	Proprietary Fund (Water)
OPERATING REVENUES	
Water sales	\$ 489,647
Tap, connection and other fees	21,790
Total operating revenues	<u>511,437</u>
OPERATING EXPENSES	
Depreciation and amortization	107,201
Dues and subscriptions	630
Equipment	5,009
Equipment repairs and maintenance	6,195
Maintenance contracts	22,277
Meters	975
Professional fees	1,570
State fees	3,576
System repairs and maintenance	14,544
Telephone-communications	1,863
Travel and training	2,689
Utilities	19,834
Vehicle fuel	1,553
Vehicle maintenance and repair	605
Payments to General Fund:	
Salaries	188,013
Protection of water system	13,200
Indirect costs	48,139
Total operating expenses	<u>437,873</u>
Operating income	<u>73,564</u>
NONOPERATING REVENUE (EXPENSE)	
Interest income	4,394
Interest expense	(81,695)
Total nonoperating revenue (expense)	<u>(77,301)</u>
NET TRANSFERS	
Transfers out	(115,000)
Change in net position	(118,737)
NET POSITION	
Beginning	890,996
Ending	<u>\$ 772,259</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Position
Budget and Actual - Proprietary Fund
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Water sales	\$ 480,000	\$ 480,000	\$ 489,647	\$ 9,647
Tap, connection and other fees	45,000	45,000	21,790	(23,210)
Total revenues	<u>525,000</u>	<u>525,000</u>	<u>511,437</u>	<u>(13,563)</u>
OPERATING EXPENSES				
Advertising	100	100	-	100
Capital outlay	40,000	45,000	-	45,000
Clothing - uniforms	600	600	-	600
Depreciation and amortization	79,134	74,134	107,201	(33,067)
Dues and subscriptions	800	800	630	170
Equipment	5,000	5,000	5,009	(9)
Equipment rental	500	500	-	500
Equipment repairs and maintenance	6,000	6,000	6,195	(195)
Maintenance contracts	26,000	26,000	22,277	3,723
Meters	1,000	1,000	975	25
Professional fees	4,000	4,000	1,570	2,430
Publications	200	200	-	200
State fees	4,500	4,500	3,576	924
System repairs and maintenance	15,000	15,000	14,544	456
Telephone-communications	1,700	1,700	1,863	(163)
Temporary help	1,000	1,000	-	1,000
Travel and training	2,500	2,500	2,689	(189)
Utilities	20,000	20,000	19,834	166
Vehicle fuel	3,000	3,000	1,553	1,447
Vehicle maintenance and repair	1,000	1,000	605	395
Water main replacement	5,000	5,000	-	5,000
Payments to General Fund for:				
Salaries	192,486	192,486	188,013	4,473
Protection of water system	13,200	13,200	13,200	-
Indirect costs	<u>162,780</u>	<u>162,780</u>	<u>48,139</u>	<u>114,641</u>
Total operating expenses	<u>585,500</u>	<u>585,500</u>	<u>437,873</u>	<u>147,627</u>
Operating income (loss)	<u>(60,500)</u>	<u>(60,500)</u>	<u>73,564</u>	<u>134,064</u>
NONOPERATING REVENUE (EXPENSE)				
Interest income	3,500	3,500	4,394	894
Interest expense	<u>(98,000)</u>	<u>(198,000)</u>	<u>(81,695)</u>	<u>116,305</u>
Total nonoperating revenue (expense)	<u>(94,500)</u>	<u>(194,500)</u>	<u>(77,301)</u>	<u>117,199</u>
NET TRANSFERS				
Transfers out	<u>155,000</u>	<u>255,000</u>	<u>(115,000)</u>	<u>(370,000)</u>
Change in net position	-	-	(118,737)	(118,737)
NET POSITION				
Beginning	<u>-</u>	<u>-</u>	<u>890,996</u>	<u>890,996</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,259</u>	<u>\$ 772,259</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2017

	Proprietary Fund (Water)
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 481,092
Cash paid to employees	(190,663)
Cash paid to suppliers	<u>(134,472)</u>
Net cash provided by operating activities	<u>155,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
General obligation bond payments:	
Principal	(141,340)
Interest	(81,695)
Purchase of investments	(2,778)
Purchase of capital assets	<u>(49,096)</u>
Net cash used in capital and related financing activities	<u>(274,909)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer to General Fund	<u>(115,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>4,394</u>
Net change in cash and cash equivalents	(229,558)
CASH AND CASH EQUIVALENTS	
Beginning	<u>568,605</u>
Ending	<u>\$ 339,047</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2017

(Concluded)

**Proprietary
Fund**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 73,564
Reconciliation of operating income to net cash provided by operating activities	
Depreciation and amortization	107,201
Changes in assets and liabilities:	
Accounts receivable	(30,345)
Deferred outflow of resources	2,035
Accrued expenses	1,013
Accounts payable	-
Net pension liability	10,839
Deferred inflow of resources	(18,001)
Deposits payable	9,651
Net cash provided by operating activities	\$ 155,957

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Discretely Presented Component Units
Combining Balance Sheet
June 30, 2017

	<u>Community Recreation Center</u>	<u>Economic Development Authority</u>	<u>Total Component Units</u>
ASSETS			
Restricted cash	\$ 251,336	\$ 16,346	\$ 267,682
Capital assets (not being depreciated)	<u>34,010</u>	<u>-</u>	<u>34,010</u>
Total assets	<u>\$ 285,346</u>	<u>\$ 16,346</u>	<u>\$ 301,692</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 34,010	\$ -	\$ 34,010
Unrestricted	<u>251,336</u>	<u>16,346</u>	<u>267,682</u>
Total net position	<u>\$ 285,346</u>	<u>\$ 16,346</u>	<u>\$ 301,692</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Discretely Presented Component Units
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2017

	<u>Community Recreation Center</u>	<u>Economic Development Authority</u>	<u>Total Component Units</u>
REVENUE			
Contributions			
Isle of Wight	\$ 25,000	\$ -	\$ 25,000
Town of Windsor	200,000	5,000	205,000
Other	<u>5,866</u>	<u>-</u>	<u>5,866</u>
Total contributions	230,866	5,000	235,866
 Interest income	<u>160</u>	<u>33</u>	<u>193</u>
Total revenue	<u>231,026</u>	<u>5,033</u>	<u>236,059</u>
 EXPENDITURES			
Business appreciation	-	650	650
Utilities	714	-	714
Miscellaneous	<u>58</u>	<u>-</u>	<u>58</u>
Total expenditures	<u>772</u>	<u>650</u>	<u>1,422</u>
 Change in net position	230,254	4,383	234,637
 NET POSITION			
Beginning	-	-	-
Prior period adjustment	<u>55,092</u>	<u>11,963</u>	<u>67,055</u>
Ending	<u>\$ 285,346</u>	<u>\$ 16,346</u>	<u>\$ 301,692</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Windsor, Virginia prepares its financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for governmental accounting and financial reporting. The Town follows the general provisions of GASB 34 *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. This Statement identifies the financial reporting requirements for state and local governments.

The Proprietary Fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity

The Town of Windsor, Virginia is a municipal corporation governed by an elected mayor, vice mayor and a five-member council. The accompanying financial statements present the financial position of the Town of Windsor, Virginia (the primary government). The discretely presented component units are reported in separate columns in the government-wide financial statements.

Discretely Presented Component Units

Community Recreation Center (Center)

The Center will serve as a community recreation center as well as a meeting and event venue. The Windsor Town Center Advisory Board manages the recreation center.

Economic Development Authority (EDA)

The EDA, consisting of business and resident members appointed by Town Council, serves as a special committee of Town Council. The purpose of the EDA is to consider issues dealing with the economic development and appearance of the Town.

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. All significant inter-fund 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 the legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Governmental Fund Financial Statements

Governmental fund financial statements organize and report the financial transactions and balances of the Town on the basis of fund categories comprising Governmental Funds and Proprietary Funds. Separate financial statements are provided for each fund, which serves as a self-balancing asset of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenditures/expenses.

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

Government-wide Financial Statements -

The Town government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary financial statements. Accordingly, all of the Town's assets and liabilities, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they were earned and expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Governmental Fund Financial Statements -

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances are presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

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

For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes, sales and use taxes, other local taxes, licenses and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Governmental Funds -

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

Proprietary Funds -

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

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

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

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

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

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

Assets, Liabilities, Deferred Outflows and Inflows, and Equity

Deposits and Investments

The government's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of certificates of deposit with original maturities exceeding three months at the date of acquisition.

Receivables and Payables

Activities between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes amounted to \$27,684 at June 30, 2017.

Property Taxes

Real estate taxes and personal property taxes are levied and billed annually and are due December 5th of each year. Tax rates for bills due December 5, 2016, were \$.10 per \$100 assessed value for real estate, \$.50 per \$100 assessed value for personal property, \$.10 per \$100 assessed value of machinery and tools, and \$.10 per \$100 assessed value for mobile homes.

A ten-percent penalty is imposed on all delinquent taxes collected after the due date. Interest is imposed at the next billing cycle at the rate of ten percent annually. Real estate taxes receivable are maintained for ten years and personal property taxes receivable for five years before they are written off.

The Town collects its own property taxes. Property taxes are based upon the rate levied by Town Council multiplied by the taxable assessed value. The assessed value of real estate and personal property is determined for the Town by the Commissioner of Revenue of the County of Isle of Wight.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

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

Donated capital assets are recorded at fair market value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	25-40 years
Infrastructure	25 years
Water system and towers	25 years
Furniture and equipment	5-10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Obligations

In the government-wide financial statements, bond repayment obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statements of net assets. Bond issuance costs are reported as a reduction to the bond and amortized over the life of the bonds.

In the governmental fund financial statements, long-term debt is not reported as a liability. The debt proceeds are reported as an "Other Financing Source."

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position, or balance sheet, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position, or balance sheet, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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.

Net Position

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

- *Invested in Capital Assets, Net of Related Debt* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

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

- *Unassigned* – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balances

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

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as Interfund transfers.

Use of Estimates

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

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other less restrictive classifications.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances reconciles the *net change in fund balance – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$74,453 difference and other reconciling differences are as follows:

Long-term debt payments	\$ 33,363
Capital outlays	\$ 187,106
Depreciation expense	(112,653)
Net adjustment	\$ 74,453
Pension costs	\$ 18,604

NOTE 4. CASH AND INVESTMENTS

Deposits

At year-end, the carrying value of the Town’s deposits with banks and savings institutions was \$2,204,859 and the bank balance was \$2,266,044. The bank balance was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. There were no uninsured or uncollateralized amounts at June 30, 2017.

Investments

At June 30, 2017, the Town’s investment balance consists of the following:

	General Fund	Business-type Fund	Total
Certificates of deposit	\$ 525,015	\$ 279,580	\$ 804,595

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

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

Isle of Wight County:

Sales tax	\$	8,886
Traffic fines		<u>11,151</u>
	\$	<u>20,037</u>

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables (internal balances) at year-end are as follows:

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 7. CAPITAL ASSETS

Capital asset activity at year-end was as follows:

Governmental activities:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 1,558,118	\$ -	\$ -	\$ -	\$1,558,118
Construction in Process	25,586	24,712	-	-	50,298
Accounting system	41,762	126,861	-	-	168,623
Total capital assets not being depreciated	<u>1,625,466</u>	<u>151,573</u>	<u>-</u>	<u>-</u>	<u>1,777,039</u>
Capital assets being depreciated:					
Buildings and improvements	1,087,141	9,842	-	27,003	1,123,986
Infrastructure	263,544	-	-	-	263,544
Vehicles and equipment	582,901	25,691	92,575	(27,003)	489,014
Software	45,860	-	-	-	45,860
Total capital assets being depreciated	<u>1,979,446</u>	<u>35,533</u>	<u>92,575</u>	<u>-</u>	<u>1,922,404</u>
Less accumulated depreciation for:					
Buildings and improvements	442,269	36,835	-	13,772	492,876
Infrastructure	111,535	11,396	-	-	122,931
Vehicles and equipment	478,020	64,422	92,575	(13,772)	436,095
Software	45,860	-	-	-	45,860
Total accumulated depreciation	<u>1,077,684</u>	<u>112,653</u>	<u>92,575</u>	<u>-</u>	<u>1,097,762</u>
Total capital assets being depreciated, net	<u>901,762</u>	<u>(77,120)</u>	<u>-</u>	<u>-</u>	<u>824,642</u>
Capital assets, net	<u>\$ 2,527,228</u>	<u>\$ 74,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,601,681</u>

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

General government	\$ 24,922
Public safety	75,392
Public works	12,339
Total depreciation expense	<u>\$ 112,653</u>

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 7. CAPITAL ASSETS (Concluded)

Business-type activities:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 40,211	\$ -	\$ -	\$ 40,211
Total capital assets not being depreciated	40,211	-	-	40,211
Capital assets being depreciated:				
Structures and improvements	2,364,854	-	-	2,364,854
Water mains	1,590,012	4,126	4,250	1,589,888
Meters and equipment	479,382	44,970	14,658	509,694
Total capital assets being depreciated	4,434,248	49,096	18,908	4,464,436
Less accumulated depreciation for:				
Structures and improvements	1,082,391	79,701	-	1,162,092
Water mains	1,503,113	16,615	4,252	1,515,476
Meters and equipment	472,686	9,046	14,656	467,076
Total accumulated depreciation	3,058,190	105,362	18,908	3,144,644
Total capital assets being depreciated, net	1,376,058	(56,266)	-	1,319,792
Capital assets, net	\$ 1,416,269	\$ (56,266)	\$ -	\$ 1,360,003

Component unit activities:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 34,010	\$ -	\$ 34,010

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 8. LONG-TERM DEBT OBLIGATIONS

Business-type activities

The Town authorized and issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. The original amount of this general obligation bond was \$774,742. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Payments of principal and interest of 3.07% per year are due monthly through April 2032.

\$ 640,000

The Town authorized and issued a general obligation bond to provide funds for the acquisition and construction of major capital facilities. The original amount of this general obligation bond was \$879,000. The general obligation bond is a direct obligation and pledges the full faith and credit of the Town. Beginning April 2011, payments of principal and interest of 3.25% per year are due monthly in the amount of \$3,323 through September 2040.

641,529

Total debt	1,281,529
Less amortized deferred bond costs	<u>(34,325)</u>
General obligation bonds, net	1,247,204
Due within one year	<u>53,312</u>
Due in more than one year	<u>\$ 1,193,892</u>

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

	Principal	Interest
2018	\$ 53,312	\$ 40,212
2019	54,949	38,531
2020	56,607	36,799
2021	59,287	35,013
2022	60,990	33,144
2023 - 2027	333,319	135,745
2028 - 2032	388,694	79,806
2033 - 2037	167,836	31,544
2038 - 2040	<u>106,535</u>	<u>5,063</u>
	<u>\$ 1,281,529</u>	<u>\$ 435,857</u>

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 8. LONG-TERM DEBT OBLIGATIONS (Concluded)

The following is a summary of changes in the Town's long-term debt obligations for the fiscal year ended June 30, 2017:

Business-type activities:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
General obligation debt	\$ 1,422,869	\$ -	\$ 141,340	\$ 1,281,529

NOTE 9. SURETY BONDS OF PRINCIPAL OFFICIALS

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

NOTE 10. GRANTS

In the normal course of operations, the Town receives grant funds from various state and Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

NOTE 11. LEASING ARRANGEMENTS

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

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

Minimum lease payments under these leases are as follows:

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 12. GENERAL FUND REIMBURSEMENTS

Within the revenue from local sources, the General Fund includes reimbursements from the Water Fund in the amount of \$248,993. The reimbursements result from three sources: payroll, protection provided to the water system and indirect costs paid by the General Fund on behalf of the other Fund. The reimbursements are to cover the following expenditures that were paid by the General Fund on behalf of the other fund:

Water Fund:

Payroll	\$ 188,013
Protection of the water system	13,200
Overtime	300
Equipment	1,050
Equipment rental	1,800
Information technology	8,100
Insurance	11,100
Maintenance contracts	1,500
Postal services	2,190
Professional services	4,500
Supplies	2,850
Telephone	2,100
Travel and training	4,500
Vehicle allowance	1,440
Repair and maintenance	3,500
Utilities	2,850
	<u>\$ 248,993</u>

These costs are reflected as reimbursements from the Water Fund in the General Fund revenues and the costs included within the related expenditure categories of the General Fund, to comply with the budget that was adopted for the 2016-2017 year. In the Water Fund, they are reflected as payments to the General Fund and not allocated to the various expenditure categories.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, expenditures exceeded appropriations in the following budget line items:

General Government Administration:

Special meetings	\$	31
Salaries and wages		1,239
Retirement		17
DMV Stop fee		3,640
Maintenance contracts		338
Postal services		652
Telephone – communications		548
Vehicle allowance		400

Public Safety:

Salaries and wages	\$	1,326
Retirement		915
Life insurance		9
Vehicle repairs and maintenance		4,092

Public Works:

Retirement	\$	9
Residential refuse collection		7,190

Capital Outlay:

Financial software upgrade	\$	1,346
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Water Fund

Depreciation and amortization	\$	33,067
Equipment		9
Equipment repairs and maintenance		195
Telephone - communications		163
Travel and training		189

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2018, the date on which financial statements were available to be issued.

NOTE 15. PRIOR PERIOD ADJUSTMENT

Component Units

The beginning net position of the Town's Component Units, consisting of the Community Recreation Center and the Economic Development Authority, as of June 30, 2017, were restated. The Component Units began operating prior to fiscal year end June 30, 2017 but were not included in prior period financial statements. This prior period adjustment records the previously unreported net position of the Component Units as of June 30, 2016 of \$67,075 as follows:

Community Recreation Center	\$ 55,092
Economic Development Authority	<u>11,963</u>
	<u>\$ 67,055</u>

NOTE 16. RETIREMENT PLAN

Plan Description

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

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

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

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2017 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2016.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2016.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2016.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2016.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2016. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2016 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2016; the plan's effective date for opt-in members was July 1, 2016 <p>*Non-Eligible members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
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TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

		Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2 they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.
<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2017. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2017.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan and the employer is required to match those voluntary contributions according to the specified percentages.</p>

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

Employees covered by Benefit Terms - As of the June 30, 2015 actuarial evaluation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested	0
Non-vested	3
Active elsewhere in VRS	5
Total inactive members	8
Active members	12
Total covered employees	22

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

The Town's contractually required contribution rate for the year ended June 30, 2017 was 4.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actual rate for the Town was 6.1%. 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 \$32,458 for the year ended June 30, 2017.

Net Pension Liability - The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 20, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

Deferred Outflows/Inflows of Resources

At June 30, 2017, Town of Windsor General Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resource</u>
Net Difference between projected and actual earnings on pension plan investments	\$ -	\$ 12,990
Employer contributions subsequent to the measurement date	<u>25,447</u>	<u>-</u>
Total General Fund	<u>\$ 25,447</u>	<u>\$ 12,990</u>

At June 30, 2017, Town of Windsor Water Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resource</u>
Net Difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,579
Employer contributions subsequent to the measurement date	<u>7,011</u>	<u>-</u>
Total Water Fund	<u>\$ 7,011</u>	<u>\$ 3,579</u>

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

	<u>General Fund Deferred</u>	<u>Proprietary Fund Deferred</u>	<u>Total</u>
2018	\$ 12,376	\$ 3,410	\$ 15,786
2019	12,375	3,409	15,784
2020	(557)	(153)	(710)
2021	(10,440)	(2,876)	(13,316)
2022	<u>(764)</u>	<u>(211)</u>	<u>(975)</u>
	<u>\$ 12,990</u>	<u>\$ 3,579</u>	<u>\$ 16,569</u>

(Continued)

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (Continued)

Actuarial Assumptions - The total pension liability for General Employees in the Town's retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

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

Non-LEOS:

Pre-Retirement:

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

Post Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Non-LEOS

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

TOWN OF WINDSOR, VIRGINIA
Notes to Financial Statements
June 30, 2017

NOTE 16. RETIREMENT PLAN (continued)

Actuarial Assumptions – Public Safety Employees – The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

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

LEOS:

Pre-Retirement:

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

Post Retirement:

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

Post-Disablement:

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

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

LEOS

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (continued)

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

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

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

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

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (continued)

Schedule of Changes in Net Pension Liability and Related Ratios

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 56,628	\$ 54,488	\$ 62,654
Interest	45,748	47,780	42,134
Difference between expected and actual experience	29,625	(106,941)	-
Benefit payments	(14,392)	(34,320)	(13,959)
Refunds of contributions	-	-	-
Net change in total pension liability	117,609	(38,993)	90,829
Total pension liability - beginning	660,733	699,726	608,897
Total pension liability - ending	<u>\$ 778,342</u>	<u>\$ 660,733</u>	<u>\$ 699,726</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 38,880	\$ 34,816	43,896
Contributions - employee	28,991	25,958	25,551
Net investment income	14,361	30,738	86,817
Benefit payments	(14,392)	(34,320)	(13,959)
Refunds of contributions	-	-	-
Administrative expenses	(410)	(385)	(417)
Other	(6)	(4)	5
Net change in fiduciary net position	67,424	56,803	141,893
Plan fiduciary net position - beginning	720,425	663,622	521,729
Plan fiduciary net position - ending	<u>\$ 787,849</u>	<u>\$ 720,425</u>	<u>\$ 663,622</u>
Net pension liability (asset)	<u>\$ (9,507)</u>	<u>\$ (59,692)</u>	<u>\$ 36,104</u>
 Plan fiduciary net position as a percentage of total pension liability	 101.2%	 109.0%	 94.8%
Covered employee payroll	\$ 707,348	\$ 708,815	\$ 641,882
Net pension liability (asset) as a percentage of covered employee payroll	-1.3%	-8.4%	5.6%

TOWN OF WINDSOR, VIRGINIA

Notes to Financial Statements

June 30, 2017

NOTE 16. RETIREMENT PLAN (concluded)

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

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

	1.00% Decrease (6.00%)	Current Discount (7.00%)	1.00% Increase (8.00%)
Town's net pension asset	\$ 121,548	\$ (9,507)	\$ (115,147)

Schedule of Employer Contributions for the Year Ended June 30, 2017

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 26,032	\$ 32,458	\$ (6,426)	\$ 707,348	4.6%
2015	\$ 26,032	\$ 41,879	\$ (15,847)	\$ 708,815	5.9%
2014	\$ 26,138	\$ 34,090	\$ (7,952)	\$ 641,882	5.3%

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

INDIVIDUAL STATEMENTS

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
General property taxes:				
Real estate tax	\$ 191,000	\$ 191,000	\$ 192,543	\$ 1,543
Mobile home tax	4,200	4,200	4,738	538
Personal property tax	66,500	66,500	73,170	6,670
Personal property tax relief	19,525	19,525	19,526	1
Public Service Corporation tax	10,000	10,000	13,661	3,661
Penalties and interest on delinquent taxes	<u>2,750</u>	<u>2,750</u>	<u>4,302</u>	<u>1,552</u>
Total general property taxes	<u>293,975</u>	<u>293,975</u>	<u>307,940</u>	<u>13,965</u>
Other local taxes:				
Bank franchise tax	140,000	140,000	158,018	18,018
Communication tax	64,000	64,000	62,823	(1,177)
Cigarette tax	63,000	63,000	78,750	15,750
Local sales tax	90,000	90,000	109,003	19,003
Meals tax	310,000	310,000	317,545	7,545
Consumer utility tax	<u>90,000</u>	<u>90,000</u>	<u>92,948</u>	<u>2,948</u>
Total other local taxes	<u>757,000</u>	<u>757,000</u>	<u>819,087</u>	<u>62,087</u>
Revenue from other sources:				
Licenses:				
Merchants & other licenses	130,000	130,000	118,066	(11,934)
Motor vehicle licenses	<u>40,000</u>	<u>40,000</u>	<u>43,544</u>	<u>3,544</u>
Total licenses	170,000	170,000	161,610	(8,390)
Traffic fines	<u>147,500</u>	<u>147,500</u>	<u>151,163</u>	<u>3,663</u>
Total revenue from other sources	<u>317,500</u>	<u>317,500</u>	<u>312,773</u>	<u>(4,727)</u>
Miscellaneous revenues:				
Administrative collection fee	10,000	10,000	11,116	1,116
Cemetery plot sales	1,000	1,000	5,300	4,300
Credit card convenience fee	600	600	(286)	(886)
Other miscellaneous revenue	7,500	12,286	27,892	15,606
Zoning fees	2,000	2,000	1,750	(250)
Interest earned	<u>12,000</u>	<u>12,000</u>	<u>12,911</u>	<u>911</u>
Total miscellaneous revenue	<u>33,100</u>	<u>37,886</u>	<u>58,683</u>	<u>20,797</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE FROM LOCAL SOURCES				
Reimbursements from water fund	<u>175,980</u>	<u>175,980</u>	<u>60,980</u>	<u>(115,000)</u>
Total revenue from local sources	<u>1,577,555</u>	<u>1,582,341</u>	<u>1,559,463</u>	<u>(22,878)</u>
REVENUE FROM COMMONWEALTH OF VIRGINIA				
Categorical aid:				
Police 599 funding	57,289	57,289	59,132	1,843
Litter control	1,000	1,000	1,031	31
Fire program funds	<u>9,000</u>	<u>11,000</u>	<u>10,000</u>	<u>(1,000)</u>
Total categorical aid	<u>67,289</u>	<u>69,289</u>	<u>70,163</u>	<u>874</u>
Noncategorical aid:				
Mobile home titling taxes	3,000	3,000	9,198	6,198
Six year improvement funds	42,000	42,000	-	(42,000)
DMV grant	-	11,375	9,310	(2,065)
DMV fees for DMV stops	<u>-</u>	<u>-</u>	<u>4,280</u>	<u>4,280</u>
Total non-categorical aid	<u>45,000</u>	<u>56,375</u>	<u>22,788</u>	<u>(33,587)</u>
Total revenue from the Commonwealth of Virginia	<u>112,289</u>	<u>125,664</u>	<u>92,951</u>	<u>(32,713)</u>
Total revenues	1,689,844	1,708,005	1,652,414	(55,591)
Transfer from reserves	<u>(9,115)</u>	<u>195,030</u>	<u>-</u>	<u>(195,030)</u>
	<u>\$ 1,680,729</u>	<u>\$ 1,903,035</u>	<u>\$ 1,652,414</u>	<u>\$ (250,621)</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
GENERAL GOVERNMENT ADMINISTRATION				
Legislative				
Mayor and Council compensation	\$ 9,600	\$ 8,400	\$ 8,400	\$ -
Audit	15,000	15,000	15,000	-
Election expense	2,500	2,500	1,018	1,482
Special meetings	500	500	531	(31)
Travel and training	7,000	7,000	3,757	3,243
Total legislative expenses	<u>34,600</u>	<u>33,400</u>	<u>28,706</u>	<u>4,694</u>
Legal				
Legal services	27,000	27,000	22,449	4,551
Dues and subscriptions	350	350	-	350
Publications	300	300	-	300
Supplies	100	100	18	82
Travel and training	500	500	-	500
Total legal expenses	<u>28,250</u>	<u>28,250</u>	<u>22,467</u>	<u>5,783</u>
General Management				
Salaries and wages	128,000	128,000	129,239	(1,239)
Overtime	1,000	1,000	-	1,000
Non-compensation expenses:				
FICA	9,745	9,745	7,103	2,642
Health Insurance	22,128	22,128	21,628	500
Retirement	6,812	6,812	6,829	(17)
Life Insurance	3,135	3,135	1,933	1,202
Advertising	2,200	2,200	2,199	1
DMV stop fee	-	-	3,640	(3,640)
Dues and subscriptions	4,000	4,000	3,700	300
Equipment	3,500	4,100	3,360	740
Equipment rental	6,000	6,000	5,372	628
Information technology	27,000	27,000	26,099	901
Maintenance contracts	5,000	5,000	5,338	(338)
Postal services	7,300	7,300	7,952	(652)
Professional services	15,000	73,800	22,299	51,501
Publications	2,000	2,000	1,018	982
Supplies	9,500	9,500	7,070	2,430
Telephone-communications	7,000	7,000	7,548	(548)
Travel and training	15,000	15,000	13,613	1,387
Vehicle allowance	4,800	4,800	5,200	(400)
Total general management	<u>279,120</u>	<u>338,520</u>	<u>281,140</u>	<u>57,380</u>
Total General Government Administration	<u>341,970</u>	<u>400,170</u>	<u>332,313</u>	<u>67,857</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC SAFETY				
Police Department				
Salaries and wages	\$ 289,086	\$ 289,086	\$ 290,412	\$ (1,326)
Overtime	25,000	25,000	17,504	7,496
Non-compensation expenses:				
FICA	22,116	22,116	21,857	259
Health insurance	62,525	62,525	62,525	-
Retirement	14,166	14,166	15,081	(915)
Life insurance	3,788	3,788	3,797	(9)
Advertising	500	500	-	500
Building - Utilities	6,000	6,000	4,980	1,020
Building - Equipment rental	2,750	2,750	1,469	1,281
Building - Maintenance	2,750	5,750	5,670	80
Community relations	500	500	367	133
Dues and subscriptions	1,250	1,250	458	792
Equipment	10,800	12,831	9,940	2,891
DMV grant disbursements	-	11,375	11,165	210
Information technology	3,500	3,500	3,122	378
Investigations	1,000	1,000	346	654
Postage	250	250	250	-
Supplies	3,000	3,000	1,866	1,134
Telephone-communications	12,000	12,000	11,390	610
Travel and training	10,000	10,000	8,167	1,833
Vehicle fuel and tires	40,000	34,000	18,199	15,801
Vehicle repairs and maintenance	<u>17,000</u>	<u>20,000</u>	<u>24,092</u>	<u>(4,092)</u>
Total police department	<u>527,981</u>	<u>541,387</u>	<u>512,657</u>	<u>28,730</u>
Fire Department				
Grant	<u>9,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Total fire department	<u>9,000</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Total public safety	<u>536,981</u>	<u>552,387</u>	<u>523,657</u>	<u>28,730</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
PUBLIC WORKS				
Public works and property maintenance				
Salaries and wages	\$ 59,597	\$ 59,597	\$ 47,121	\$ 12,476
Overtime	1,000	1,000	-	1,000
Part-time temporary	8,000	8,000	3,025	4,975
Non-compensation expenses:				
FICA	4,560	4,560	2,988	1,572
Health insurance	10,421	10,421	10,421	-
Retirement	2,187	2,187	2,196	(9)
Life insurance	585	585	584	1
Building repairs and maintenance	15,000	15,000	9,384	5,616
Clothing - uniforms	600	600	383	217
Equipment	3,500	3,500	2,144	1,356
Equipment rental	750	750	-	750
Equipment repairs and maintenance	5,000	5,000	3,297	1,703
Street and sidewalk maintenance	10,000	10,000	7,676	2,324
Street light utilities	35,000	35,000	27,542	7,458
Utilities	11,000	11,000	8,764	2,236
Vehicle fuel	4,000	4,000	2,152	1,848
Vehicle repairs and maintenance	<u>1,000</u>	<u>1,000</u>	<u>615</u>	<u>385</u>
 Total public works and property maintenance	 <u>172,200</u>	 <u>172,200</u>	 <u>128,292</u>	 <u>43,908</u>
Refuse collection				
Residential collection	<u>80,000</u>	<u>80,000</u>	<u>87,190</u>	<u>(7,190)</u>
 Total refuse collection	 <u>80,000</u>	 <u>80,000</u>	 <u>87,190</u>	 <u>(7,190)</u>
 Total public works	 <u>252,200</u>	 <u>252,200</u>	 <u>215,482</u>	 <u>36,718</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
COMMUNITY DEVELOPMENT				
Planning and community development				
Salaries and wages	\$ 50,470	\$ 50,470	\$ 29,693	\$ 20,777
Compensation - Planning Commission	2,200	2,200	2,200	-
Non-compensation expense:				
FICA	3,862	3,862	1,998	1,864
Health insurance	11,595	11,595	6,243	5,352
Retirement	2,474	2,474	1,455	1,019
Life insurance	662	662	389	273
Advertising	1,500	1,500	1,248	252
Dues and subscriptions	500	500	50	450
Professional services	2,500	2,500	932	1,568
Publications	100	100	-	100
Supplies	200	200	-	200
Telephone-communications	650	650	448	202
Travel and training	3,000	3,000	1,954	1,046
Vehicle fuel	500	500	226	274
Vehicle repairs and maintenance	300	300	76	224
Total planning and community development	<u>80,513</u>	<u>80,513</u>	<u>46,912</u>	<u>33,601</u>
Cultural events				
4th of July Celebration	5,000	6,400	5,553	847
Christmas Holidays	300	300	40	260
Other events	6,000	6,750	6,216	534
Total cultural events	<u>11,300</u>	<u>13,450</u>	<u>11,809</u>	<u>1,641</u>
Economic development				
Chamber of Commerce:				
Dues and subscriptions	3,500	3,500	3,500	-
Activities	750	750	458	292
Business appreciation	1,000	1,000	261	739
Other economic development activities	5,000	5,000	5,000	-
Total economic development	<u>10,250</u>	<u>10,250</u>	<u>9,219</u>	<u>1,031</u>
Total community development	<u>102,063</u>	<u>104,213</u>	<u>67,940</u>	<u>36,273</u>

(Continued)

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Expenditures – Budget and Actual
Governmental Fund – General Fund
Year Ended June 30, 2017

(Concluded)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
CAPITAL OUTLAY				
Police vehicles	\$ 39,000	\$ 39,000	\$ -	\$ 39,000
Information technology upgrades	5,000	5,000	3,327	1,673
Financial software upgrade	-	125,515	126,861	(1,346)
Street lights extension	2,000	2,000	-	2,000
Police department generator	10,000	10,000	9,841	159
Construction of public works building	205,885	222,885	24,712	198,173
Police department technology	21,000	21,000	20,773	227
Sidewalks - six year improvement	<u>42,000</u>	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Total capital outlay	<u>324,885</u>	<u>467,400</u>	<u>185,514</u>	<u>281,886</u>
NON-DEPARTMENTAL				
Contingency	15,430	19,465	19,289	176
Contribution - Library	1,200	1,200	1,200	-
Contribution - TRIAD	1,000	1,000	1,000	-
Insurance	37,000	37,000	30,011	6,989
Payments to other governments	<u>68,000</u>	<u>68,000</u>	<u>49,593</u>	<u>18,407</u>
Total non-departmental	<u>122,630</u>	<u>126,665</u>	<u>101,093</u>	<u>25,572</u>
Total expenditures	<u>\$ 1,680,729</u>	<u>\$ 1,903,035</u>	<u>\$ 1,425,999</u>	<u>\$ 477,036</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenue and Expenditures – Budget and Actual
Governmental Fund – Future Development Fund
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUE				
Interest income	\$ 500	\$ 500	\$ 2,009	\$ 1,509
Total revenue	<u>500</u>	<u>500</u>	<u>2,009</u>	<u>1,509</u>
EXPENDITURES				
Future space needs	75,500	75,500	-	75,500
Professional services	<u>25,000</u>	<u>239,242</u>	<u>46,108</u>	<u>193,134</u>
Total expenditures	<u>100,500</u>	<u>314,742</u>	<u>46,108</u>	<u>268,634</u>
 Excess of expenditures over revenue	 (100,000)	 (314,242)	 (44,099)	 270,143
FUND BALANCE				
Beginning	-	-	931,092	931,092
Transfer from General Fund	<u>100,000</u>	<u>314,242</u>	<u>100,000</u>	<u>(214,242)</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,993</u>	<u>\$ 986,993</u>

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Schedule of Revenues and Expenditures and
Changes in Net Position – Component Units
Year Ended June 30, 2017

	Community Recreation Center	Economic Development Authority	Total Component Units
REVENUE			
Contributions			
Isle of Wight	\$ 25,000	\$ -	\$ 25,000
Town of Windsor	200,000	5,000	205,000
Other	5,866	-	5,866
Total contributions	230,866	5,000	235,866
 Interest income	160	33	193
Total revenue	231,026	5,033	236,059
 EXPENDITURES			
Business appreciation	-	650	650
Utilities	714	-	714
Miscellaneous	58	-	58
Total expenditures	772	650	1,422
 Change in net position	230,254	4,383	234,637
 NET POSITION			
Beginning	-	-	-
Prior period adjustment	55,092	11,963	67,055
Ending	\$ 285,346	\$ 16,346	\$ 301,692

See accompanying notes

TOWN OF WINDSOR, VIRGINIA
Computation of Legal Debt Margin
Year Ended June 30, 2017

Total assessed value of taxed real property	\$ 204,862,338
Legal debt limit:	
10 percent of total assessed value of taxable property	20,486,234
Less:	
General obligation bonds outstanding	<u>1,281,529</u>
Legal debt margin	<u>\$ 19,204,705</u>

NOTE:

Virginia state statute limits bond issuing authority of Virginia cities and towns to 10% of assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the Town.

There are no overlapping or underlying tax jurisdictions.

STATISTICAL SECTION

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

Fiscal Year Ended June 30	Charges for Services	Operating Grants and Contributions	General Property Taxes	Miscellaneous Revenue and Other Local Taxes	Investment Earnings	Totals
2008	\$ 479,497	\$ 77,622	\$ 259,415	\$ 655,031	\$ 46,257	\$ 1,517,822
2009	556,365	117,343	312,852	747,494	22,772	1,756,826
2010	741,584	89,068	308,117	716,194	43,080	1,898,043
2011	740,537	94,788	294,556	726,887	8,441	1,865,209
2012	657,976	162,045	296,978	765,963	28,257	1,911,219
2013	793,363	132,108	291,614	876,936	16,901	2,110,922
2014	822,709	121,971	293,041	914,407	16,689	2,168,817
2015	1,033,657	90,740	300,118	945,592	17,602	2,387,709
2016	1,000,909	78,657	296,553	933,821	18,642	2,328,582
2017	801,779	79,473	307,940	961,747	19,362	2,170,301

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

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Miscellaneous	Inter- Governmental	Totals
2008	\$ 259,416	\$ 681,312	\$ 218,775	\$ 88,287	\$ 1,247,790
2009	303,725	784,127	174,687	110,429	1,372,968
2010	308,117	589,314	299,526	292,797	1,489,754
2011	294,556	598,974	476,909	177,591	1,548,030
2012	301,505	635,768	406,257	160,309	1,503,839
2013	291,614	721,780	508,278	136,850	1,658,522
2014	293,061	753,147	433,597	189,357	1,669,162
2015	300,117	791,717	529,585	159,464	1,780,883
2016	296,554	792,136	543,692	144,833	1,777,215
2017	307,940	819,087	371,456	153,931	1,652,414

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

Fiscal Year Ended June 30	General Administration	Public Safety	Public Works	Community Development	Water Services	Cemetery	Non- departmental	Totals
2008	\$ 508,797	\$ 385,767	\$ 126,423	\$ 20,622	\$ 476,176	\$ 2,111	\$ 49,090	\$ 1,568,986
2009	496,292	436,382	116,126	15,515	467,726	2,276	38,490	1,572,807
2010	456,512	435,309	223,313	72,097	499,608	7,091	74,129	1,768,059
2011	405,389	396,341	259,180	76,110	520,452	-	75,424	1,732,896
2012	320,860	572,075	214,324	84,129	548,391	-	76,628	1,816,407
2013	365,563	555,873	232,768	85,810	541,407	-	63,009	1,844,430
2014	352,333	516,406	227,780	96,435	548,843	-	88,531	1,830,328
2015	328,536	553,046	213,844	84,216	462,470	-	105,751	1,747,863
2016	350,177	600,617	221,366	97,552	455,748	-	134,819	1,860,279
2017	400,976	590,021	224,286	268,011	519,568	-	96,175	2,099,037

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

Fiscal Year Ended June 30	General Administration	Public Safety	Public Works	Community Development	Capital Outlay	Non- departmental	Debt Service	Total
2008	\$ 425,239	\$ 385,767	\$ 126,423	\$ 20,622	\$ 96,459	\$ 49,090	\$ -	\$ 1,103,600
2009	418,599	436,382	116,126	15,515	9,052	38,490	-	1,034,164
2010	364,373	456,700	223,313	72,097	58,451	74,129	-	1,249,063
2011	386,726	440,151	236,531	76,110	81,834	75,424	-	1,296,776
2012	323,214	533,566	191,674	84,129	1,096,747	76,628	-	2,305,958
2013	328,781	517,850	208,726	85,809	531,129	63,009	114,861	1,850,165
2014	311,119	452,170	203,008	96,435	208,191	88,531	115,328	1,474,782
2015	285,444	481,373	218,127	85,560	91,070	105,752	324,386	1,591,712
2016	327,237	525,361	215,063	98,102	129,720	134,819	-	1,430,302
2017	332,313	523,657	215,482	67,940	185,514	101,093	-	1,425,999

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

Fiscal Year Ended June 30	Real Estate	Personal Property	Public Utility Real Estate	Public Utility Personal Property	Total
2008	\$ 177,637,100	\$ 25,129,326	\$ 4,917,427	\$ 585,997	\$ 208,269,850
2009	198,682,100	26,802,743	5,327,000	580,940	231,392,783
2010	199,729,947	24,044,087	6,139,873	558,683	230,472,590
2011	199,523,700	24,073,454	6,538,981	591,852	230,727,987
2012	200,454,800	25,202,983	5,876,794	621,606	232,156,183
2013	198,099,100	26,774,815	7,351,636	560,870	232,786,421
2014	198,153,400	26,957,484	7,419,285	542,060	233,072,229
2015	200,770,800	27,402,235	7,636,319	630,350	236,439,704
2016	194,256,300	27,125,153	7,698,204	783,315	229,862,972
2017	194,484,000	28,288,965	10,378,338	656,517	233,807,820

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

TOWN OF WINDSOR, VIRGINIA

Property Tax Rates Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
2008	\$ 0.10	\$ 0.50	\$ 0.10	\$ 0.08
2009	0.10	0.50	0.10	0.08
2010	0.10	0.50	0.10	0.10
2011	0.10	0.50	0.10	0.10
2012	0.10	0.50	0.10	0.10
2013	0.10	0.50	0.10	0.10
2014	0.10	0.50	0.10	0.10
2015	0.10	0.50	0.10	0.10
2016	0.10	0.50	0.10	0.10
2017	0.10	0.50	0.10	0.10

NOTE: Per \$100 of assessed value.

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
2008	\$ 262,468	\$ 246,069	93.75%	\$ 516	\$ 246,585	93.95%	\$ 20,470	7.80%
2009	338,615	291,911	86.21%	921	292,832	86.48%	48,448	14.31%
2010	318,084	301,268	94.71%	12,934	314,202	98.78%	54,996	17.29%
2011	315,787	298,748	94.60%	14,165	312,913	99.09%	55,494	17.57%
2012	320,179	304,162	95.00%	23,970	328,132	102.48%	47,541	14.85%
2013	312,352	267,375	85.60%	10,384	277,759	88.92%	53,109	17.00%
2014	313,147	260,198	83.09%	9,697	269,895	86.19%	39,214	12.52%
2015	332,408	270,116	81.26%	6,793	276,909	83.30%	40,666	12.23%
2016	311,352	256,345	82.33%	5,006	261,351	83.94%	46,801	15.03%
2017	273,001	265,214	97.15%	5,342	270,556	99.10%	27,684	10.14%

COMPLIANCE SECTION



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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**

The Honorable Members of Town Council
Town of Windsor, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Windsor, Virginia, as of and for the year ended June 30, 2017, 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 January 29, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses that are described in the accompanying schedule of findings and questioned costs: 2017-01 and 2010-1.

Compliance and Other Matters

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

Purpose of this Report

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

A. Robm, Smith & Company

Newport News, Virginia

January 29, 2018

TOWN OF WINDSOR, VIRGINIA
Schedule of Findings and Questioned Costs
June 30, 2017

FINDINGS – FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES

2017-1 – Balance Sheet Account Reconciliations

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

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

Effect: The balance sheet accounts were not reconciled resulting in balance sheet accounts being in an overstatement or understatement position.

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 the prepared reconciliations and the related account in the general ledger to determine they agree as well as reconciling system generated reports or other documentation to the respectively related general ledger account balances. It would be beneficial for Town Council to review account reconciliations on a quarterly basis to ensure they are being prepared and reconciled to the underlying general ledger accounts.

2010-1 – Financial Statements

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

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

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

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