

TOWN OF ROUND HILL, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
June 30, 2011**

**TOWN OF ROUND HILL, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

	Page Number
LIST OF COUNCIL AND PRINCIPAL OFFICIALS	1
 FINANCIAL SECTION	
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis	4-10
 Basic Financial Statements	
Government-wide Financial Statements	
Exhibit I Statement of Net Assets	11
Exhibit II Statement of Activities	12
Fund Financial Statements	
Government Funds	
Exhibit III Balance Sheet	13
Exhibit IV Statements of Revenues, Expenditures, and Changes in Fund Balance	14
Exhibit V Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statements of Activities	15
Exhibit VI Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	16
Proprietary Funds	
Exhibit VII Statement of Net Assets	17
Exhibit VIII Statement of Revenues, Expenditures and Changes in Fund Net Assets	18
Exhibit IX Statement of Cash Flows	19
Notes to the Financial Statements	20 - 34
 Supplementary Information	
General Fund	
Schedule 1 Schedule of Revenue and Other Financing Sources - Budget and Actual	35
Schedule 2 Schedule of Expenditures - Budget and Actual	36
Other Supplementary schedules	
Schedule 3 Computation of Legal Debt Margin	37

MAYOR AND TOWN COUNCIL

June 30, 2011

Scott T. Ramsey, Mayor
Mary Anne Graham, Vice Mayor
R. Daniel Botsch
Janet L. Heston
Clarkson J. Klipple
Christopher J. Prack
Jennifer Grafton-Theodore

OFFICIALS

John C. Barkley, Town Administrator
Robert E. Kinsley, Jr., Town Planner and Zoning Administrator
Elizabeth E. Wolford, Treasurer

LEGAL COUNSEL

Maureen K. Gilmore

MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 EAST MARKET STREET, SUITE 200

LEESBURG, VIRGINIA 20176

JEFFREY D. MITCHELL, CPA
W. THOMAS PARKER, CPA
BINITA D. PATEL

SANDRA M. TONDREAU, CPA
MEGAN R. JOLLON, CPA

PHONE: 703-777-4900
FAX: 703-771-3082
EMAIL: MCO@MCOCPA.COM

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of Town Council
Town of Round Hill, Virginia
Round Hill, Virginia

We have audited the accompanying financial statements of the governmental activities, and the business-type activities which collectively comprise the basic financial statements of the Town of Round Hill, Virginia, as of and for the year ended June 30, 2011, which collectively comprise of the Town of Round Hill, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and business-type activities of the Town of Round Hill, Virginia as of June 30, 2011, and the changes in the financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although, not 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 inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise in Town of Round Hill, Virginia's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

September 13, 2011
Leesburg, Virginia

Mitchell & Co., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Round Hill, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Round Hill, Virginia for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7,705,185.
- The Town's total net assets increased by \$215,334.
- As of the close of the current fiscal year, the Town of Round Hill's governmental funds reported combined ending fund balances of \$580,576, an increase of \$11,572 in comparison with the prior year. Total amount, \$580,576, is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$50,000 (.73 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Round Hill, Virginia's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town of Round Hill that are principally supported by taxes and intergovernmental revenues, (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities). The governmental activities of the Town of Round Hill include general government, public safety, and public works. The business-type activities of the Town include water and sewer. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Round Hill, Virginia, 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 can be 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary funds. The Town of Round Hill, Virginia uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The Town's only enterprise fund is the water and sewer fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found starting on pages 17-19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

Supplementary Information. A detailed schedule of general fund revenue and expenditures along with additional supplementary information are presented immediately following the notes to the financial statements. This supplementary information can be found on pages 35-37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Round Hill, Virginia, assets exceeded liabilities by \$7,705,185 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Round Hill uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a summary of the Town's net assets by type of activity as of June 30, 2011.

	Governmental	Business-type	
	Activities	Activities	Total
<hr/>			
Assets			
Current and other assets	\$ 673,519	\$ 2,994,016	\$ 3,667,535
Capital assets	789,162	10,578,732	11,367,894
Total Assets	1,462,681	13,572,748	15,035,429
<hr/>			
Liabilities			
Long-term Liabilities	-	7,039,176	7,039,176
Other liabilities	83,233	207,835	291,068
Total Liabilities	83,233	7,247,011	7,330,244
<hr/>			
Net Assets			
Invested in capital assets, net of related debt	789,162	3,757,232	4,546,394
Unrestricted	590,286	256,850	3,158,791
Total Net Assets	\$ 1,379,448	\$ 6,325,737	\$ 7,705,185

The remaining balance of unassigned net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town of Round Hill is able to report positive balances both of the categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

Town's net assets increased by \$215,334 during the current fiscal year.

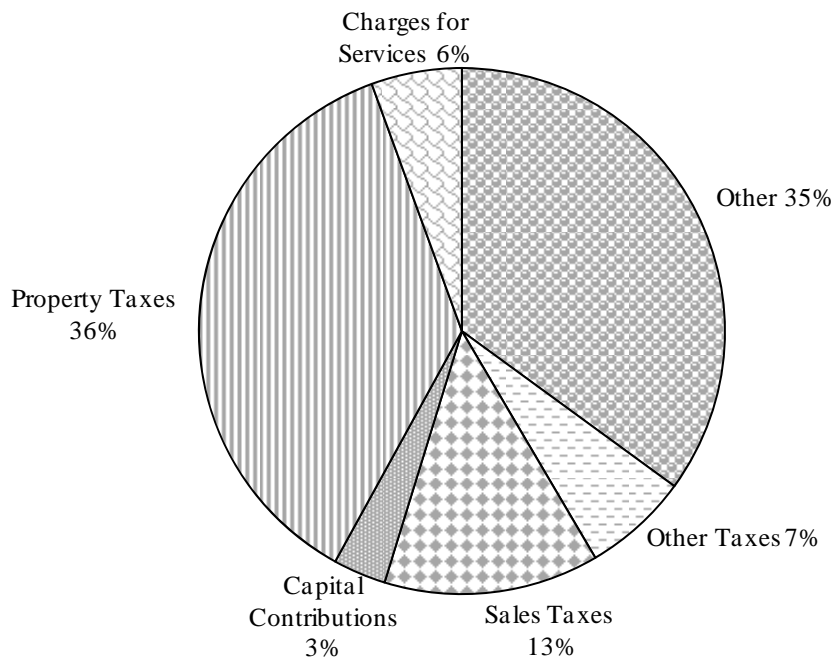
Governmental activities. Governmental activities increased the Town's net assets by \$63,671. These changes are presented in column one of the following table:

	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 24,010	\$ 1,562,064	\$ 1,586,074
Operating grants and contributions	14,000	-	14,000
Capital grants and contributions	-	325,753	325,753
General Revenues			-
Property taxes	156,623	-	156,623
Other taxes	85,338	-	85,338
Other	150,797	4,620	155,417
Total Revenues	430,768	1,892,437	2,323,205
Expenses			
General government	396,338	-	396,338
Public safety	14,486	-	14,486
Public works	55,716	-	55,716
Water and Sewer	-	1,641,331	1,641,331
Total Expenses	466,540	1,641,331	2,107,871
Transfers	99,443	(99,443)	-
Increase in Net Assets	63,671	151,663	215,334
Net Assets - 07/01/10	1,315,777	6,174,074	7,489,851
Net Assets - 06/30/11	\$ 1,379,448	\$ 6,325,737	\$ 7,705,185

- Revenue from property taxes decreased \$117 during the year.

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2011.

Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the Town's net assets by \$151,663, accounting for 70 percent of the growth in the Town's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities increased \$64,469.
- Capital contributions are a major revenue source of water and sewer system development and for 2011 included cash availability fees of \$325,753.
- Investment earnings decreased by \$1,996 for business-type activities mostly due to less dividends earned on the proceeds of the 2003 VRA Bond.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the

Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Round Hill's governmental funds reported ending fund balances of 580,576, an increase of \$11,572 in comparison with the prior year. This fund is unassigned fund balance, which is available for spending at the government's discretion.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$580,576. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance of \$580,576 is more than the total general fund expenditures of 514,114.

The fund balance of the Town of Round Hill, Virginia's general fund increased by \$11,572 during the current fiscal year. The key factors in this increase are increased revenues.

Proprietary funds. The Town of Round Hill's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the water and sewer fund at the end of the year amounted to \$6,325,737. The total growth in net assets for proprietary funds was \$151,663. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Round Hill, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$11,367,894 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, and roads.

Major capital asset events during the current fiscal year include the continued construction on upgrading the water and sewer system, capitalized interest from 2003 VRA Bond, and purchase equipment, and sidewalk improvements during the year.

The table below summarizes the capital assets of the Town at June 30, 2011.

(Net of accumulated depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 504,867	\$ 324,064	\$ 828,931
Buildings and improvements	169,015	4,468,871	4,637,886
Utility distribution systems	-	2,831,142	2,831,142
Furniture and fixtures	10,648	-	10,648
Machinery and equipment	24,224	157,085	181,309
Construction in progress	-	2,797,570	2,797,570
Sidewalk improvements	80,408	-	80,408
Total	<u>\$ 789,162</u>	<u>\$ 10,578,732</u>	<u>\$ 11,367,894</u>

Additional information on the Town of Round Hill capital assets can be found in note III. D on pages 27-28 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Round Hill, Virginia had total bonded debt outstanding of \$6,805,000. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

Additional information on the Town of Round Hill's long-term debt can be found in note III. E on pages 29-30 of this report.

Requests for Information

This report is designed to provide a general overview of the Town of Round Hill's finances for all those with an interest in the government's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town of Round Hill, 23 Main Street, P.O. Box 36, Round Hill, Virginia 20142.

TOWN OF ROUND HILL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 280,148	\$ 1,109,508	\$ 1,389,656
Certificates of deposit	360,398	423,156	783,554
Receivables (net, where applicable, of allowance for uncollectible)			
Property taxes, including penalties	9,710	-	9,710
Other taxes	1,131	-	1,131
Employee Advances	2,705	-	2,705
Accounts	-	299,053	299,053
Due from other governments	19,427	-	19,427
Restricted assets, cash on deposit			
Bond escrow funds	-	590,175	590,175
Customer deposits	-	17,257	17,257
Bond issuance costs	-	554,867	554,867
Capital assets (net of accumulated depreciation)			
Land	504,867	324,064	828,931
Buildings and improvements	169,015	4,468,871	4,637,886
Utility distribution systems	-	2,831,142	2,831,142
Furniture and fixtures	10,648	-	10,648
Machinery and equipment	24,224	157,085	181,309
Construction in progress	-	2,797,570	2,797,570
Sidewalk improvements	80,408	-	80,408
Total assets	1,462,681	13,572,748	15,035,429
Liabilities			
Accounts payable and other liabilities	8,852	112,747	121,599
Accrued interest payable	-	77,831	77,831
Public Improvement Escrow	36,664	-	36,664
Liabilities payable from restricted assets	-	17,257	17,257
Noncurrent liabilities:			
Due within one year	37,717	50,000	87,717
Due in more than one year	-	6,989,176	6,989,176
Total liabilities	83,233	7,247,011	7,330,244
Net Assets			
Invested in capital assets, net of related debt	789,162	3,757,232	4,546,394
Unrestricted	590,286	2,568,505	3,158,791
Total net assets	\$ 1,379,448	\$ 6,325,737	\$ 7,705,185

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

**TOWN OF ROUND HILL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 396,338	\$ 24,010	\$ 5,000	\$ -	\$ (367,328)	\$ -	\$ (367,328)
Public safety	14,486	-	8,000	-	(6,486)	-	(6,486)
Public works	55,716	-	1,000	-	(54,716)	-	(54,716)
Total governmental activities	466,540	24,010	14,000	-	(428,530)	-	(428,530)
Business-type activities							
Water & Sewer	1,641,331	1,562,064	-	325,753	-	246,486	246,486
Total business-type activities	1,641,331	1,562,064	-	325,753	-	246,486	246,486
Total primary government	\$ 2,107,871	\$ 1,586,074	\$ 14,000	\$ 325,753	\$ (428,530)	\$ 246,486	\$ (182,044)
			General revenues				
			Property taxes		156,623	-	156,623
			Sales taxes		56,929	-	56,929
			Motor vehicle licenses		8,828	-	8,828
			Business licenses		28,530	-	28,530
			Communication taxes		14,528	-	14,528
			Cell antenna revenue		71,662	-	71,662
			Consumer taxes		13,429	-	13,429
			Other taxes		452	-	452
			Virginia personal property tax reduction		18,613	-	18,613
			Rental income		21,138	-	21,138
			Investment earnings		2,026	4,620	6,646
			Transfers		99,443	(99,443)	-
			Total general revenues and transfers		492,201	(94,823)	397,378
			Change in net assets		63,671	151,663	215,334
			Net assets - beginning		1,315,777	6,174,074	7,489,851
			Net assets - ending		\$ 1,379,448	\$ 6,325,737	\$ 7,705,185

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

**TOWN OF ROUND HILL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS - GENERAL FUND
JUNE 30, 2011**

	General Fund
Assets	
Cash and cash equivalents	\$ 280,148
Certificates of deposit	360,398
Receivables	
Property taxes	9,710
Employee Advances	2,705
Other fees and taxes	1,131
Due from other governments	19,427
Total assets	\$ 673,519
Liabilities and Fund Balances	
Liabilities	
Accounts payable and other liabilities	\$ 8,852
Public improvements escrow funds	36,664
Deferred revenues	9,710
Compensated absences	37,717
Total liabilities	92,943
Fund balances	
Unassigned, reported in General Fund	580,576
Total fund balances	580,576
Total liabilities and fund balances	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	789,162
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,710
Net assets of governmental activities	\$ 1,379,448

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - GENERAL FUND
JUNE 30, 2011

	General Fund
Revenues	
General property taxes	\$ 152,098
Other local taxes	70,810
Permits, licenses, and fees	42,258
Revenues from use of money and property	94,826
Events/Sales/Other	19,110
Intergovernmental	47,141
Total revenues	<u>426,243</u>
Expenditures	
General government	390,281
Public safety	14,000
Public works	109,833
Total expenditures	<u>514,114</u>
(Deficiency) of revenues (under) expenditures	<u>(87,871)</u>
Other Financing Sources	
Transfers in	99,443
Total other financing sources	<u>99,443</u>
Net change in fund balances	11,572
Fund balance - beginning	<u>569,004</u>
Fund balance - ending	<u>\$ 580,576</u>

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

**TOWN OF ROUND HILL, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net change in fund balances - total governmental funds	\$ 11,572
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	65,432
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(17,859)
	<u>4,526</u>
Change in net assets of governmental activities	<u>\$ 63,671</u>

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

TOWN OF ROUND HILL, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenues			
General property taxes	\$ 152,000	\$ 152,098	\$ 98
Other local taxes	69,600	70,810	1,210
Permits, fees, and licenses	22,200	42,258	20,058
Revenues from use of money and property	48,180	94,826	46,646
Events/Sales/Other	11,500	19,110	7,610
Intergovernmental	240,233	47,141	(193,092)
Total revenues	<u>543,713</u>	<u>426,243</u>	<u>(117,470)</u>
Expenditures			
General government administration	378,109	390,281	(12,172)
Public safety	14,000	14,000	-
Public works	371,107	109,833	261,274
Total expenditures	<u>763,216</u>	<u>514,114</u>	<u>249,102</u>
(Deficiency) of revenues (under) expenditures	<u>(219,503)</u>	<u>(87,871)</u>	<u>131,632</u>
Other Financing Sources			
Transfers in	99,443	99,443	-
Total other financing sources	<u>99,443</u>	<u>99,443</u>	<u>-</u>
Net change in fund balances	(120,060)	11,572	131,632
Fund balances - beginning	<u>569,004</u>	<u>569,004</u>	<u>-</u>
Fund balances - ending	<u>\$ 448,944</u>	<u>\$ 580,576</u>	<u>\$ 131,632</u>

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities	
	Water And Sewer Current Year	Water And Sewer Prior Year
Assets		
Current assets		
Cash and cash equivalents	\$ 1,109,508	\$ 597,419
Certificates of deposits	423,156	408,910
Accounts receivable	299,053	284,860
Total current assets	<u>1,831,717</u>	<u>1,291,189</u>
Noncurrent assets		
Restricted assets, cash on deposit		
Bond escrow funds	590,175	2,411,367
Customer deposits	17,257	13,737
Total restricted assets	<u>607,432</u>	<u>2,425,104</u>
Bond issuance costs & unamortized charge on refunding		
	<u>554,867</u>	<u>585,620</u>
Capital assets		
Land, buildings, and structures	6,213,574	6,213,574
Construction in progress	2,797,570	1,357,911
Utility distribution systems	5,619,305	5,889,954
Equipment	811,131	1,007,450
Less accumulated depreciation	(4,862,848)	(4,872,105)
Total capital assets (net of accumulated depreciation)	<u>10,578,732</u>	<u>9,596,784</u>
Total noncurrent assets	<u>11,741,031</u>	<u>12,607,508</u>
Total assets	<u>13,572,748</u>	<u>13,898,697</u>
Liabilities		
Current liabilities		
Accounts payable and other liabilities	112,747	567,286
Accrued interest payable	77,831	39,130
General obligation bonds - current	50,000	50,000
Total current liabilities	<u>240,578</u>	<u>656,416</u>
Current liabilities payable from restricted assets		
Customer deposits payable	17,257	13,737
Total current liabilities payable from restricted assets	<u>17,257</u>	<u>13,737</u>
Noncurrent liabilities		
Compensated absences	61,866	70,078
Premium on bonds	155,810	162,892
Notes payable	16,500	16,500
General obligation bonds payable	6,755,000	6,805,000
Total noncurrent liabilities	<u>6,989,176</u>	<u>7,054,470</u>
Total liabilities	<u>7,247,011</u>	<u>7,724,623</u>
Net Assets		
Invested in capital assets, net of related debt	3,757,232	2,725,284
Unrestricted	<u>2,568,505</u>	<u>3,448,790</u>
Total net assets	<u>\$ 6,325,737</u>	<u>\$ 6,174,074</u>

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities	
	Water And Sewer Current Year	Water And Sewer Prior Year
Operating revenues:		
Charges for services	\$ 1,545,477	\$ 1,490,921
Connection fees	-	825
Miscellaneous revenue	16,587	5,849
Total operating revenues	1,562,064	1,497,595
Operating expenses:		
Personal services	384,716	490,295
Fringe benefits	136,259	149,194
Depreciation	325,637	342,715
Office expense	8,899	5,558
Truck expense	19,714	20,278
Engineering support	3,610	2,877
Supplies	68,682	36,078
Repairs and maintenance	38,675	28,760
Equipment	1,073	5,511
Insurance	34,046	33,907
Utilities	80,592	69,542
Telephone	5,421	5,746
Licenses and permits	5,654	4,650
Software maintenance	1,425	-
Miscellaneous	1,609	9,911
Sludge removal	30,583	25,418
Safety	1,962	1,027
Professional fees	44,890	13,238
Disposal of capital assets	196,800	8,580
Total operating expenses	1,390,247	1,253,285
Operating Income	171,817	244,310
Nonoperating revenues (expenses):		
Investment earnings	4,620	6,616
Interest and financing expenses	(251,084)	(208,676)
Total nonoperating (expenses)	(246,464)	(202,060)
Surplus (loss) before contributions and transfers	(74,647)	42,250
Transfers and capital contributions		
Availability fees	325,753	335,504
Transfers (out)	(99,443)	(99,422)
Total transfers and capital contributions	226,310	236,082
Change in net assets	151,663	278,332
Total net assets - beginning of year	6,174,074	5,895,742
Total net assets - end of year	\$ 6,325,737	\$ 6,174,074

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 1,547,871
Payments to suppliers	(290,637)
Payments to employees	(529,187)
Net cash provided by operating activities	<u>728,047</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(99,443)
Net cash (used in) capital and related financing activities	<u>(99,443)</u>
Cash Flows from Capital and Related Financing Activities	
Availability fees	325,753
Acquisition and construction of capital assets	(1,888,132)
Principal paid on capital debt	(50,000)
Interest and fees paid on capital debt	(312,182)
Net cash (used in) capital and related financing activities	<u>(1,924,561)</u>
Cash Flows from Investing Activities	
(Purchase) of investments	(14,246)
Bond escrow fund	1,821,192
Interest and dividends received	4,620
Net cash (used in) investing activities	<u>1,811,566</u>
Net increase in cash and cash equivalents	515,609
Cash and cash equivalents July 1, 2010	<u>611,156</u>
Cash and cash equivalents June 30, 2011	<u>\$ 1,126,765</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 171,817
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	325,637
(Gain) or loss on disposition of assets	196,800
(Increase) in accounts receivable	(14,193)
Increase in accounts payable	52,678
Increase in customer deposits	3,520
(Decrease) in compensated absences	(8,212)
Total adjustments	<u>556,230</u>
Net cash provided by operating activities	<u>\$ 728,047</u>

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Round Hill, Virginia (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant policies is presented to assist the reader in interpreting the financial statements and other data contained in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Town is an incorporated municipal government governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (A) the ability to impose will by the primary government, or (B) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above, all potential component units were evaluated for inclusion in the reporting entity and it was determined there are no material component units requiring inclusion reporting.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *utility fund* accounts for the activities of the Town's water and sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 2, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. The authority also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

When assigned, restricted and unassigned resources are available for use, it is the government's policy to use restricted resources first, then assigned and then unassigned resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Town'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 are stated at fair value, which approximates cost due to the short-term nature of the investment maturities.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined using historical collection data and account analysis.

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia for all property of record as of January 1. The Town bills and collects its own property taxes based on the assessed values provided by the County. Real estate and personal property taxes are levied annually on January 1 and are due December 5.

Collections of real and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended, in accordance with the standards established by the Auditor of Public Accounts of the Commonwealth of Virginia. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

3. Restricted Assets

Customer Deposits - The Town collects a utility deposit from renters when the homeowners request a deposit. Under certain circumstances, the deposit is refunded. Cash is restricted to set aside resources for future refunding along with a related customer deposit liability.

Bond Fund Escrow - The 2003 Series Revenue Bonds require that the bond proceeds be held in escrow by the Virginia Resources Authority (VRA). The VRA makes all payments from the escrow based on requisitions prepared by the Town. The bonds were authorized to finance improvements to the Town's water and sewer system and to refund certain outstanding debt.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town has adopted GASB Statement No. 51, *Accounting for Financial Reporting for Intangible Assets*, for the year ended June 30, 2011. This statement requires all identifiable assets not excluded by its scope provisions be classified as capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the utility fund during the current fiscal year was \$350,882. \$123,470 of interest expense was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Types of Assets</u>	<u>Years</u>
Buildings	39
Improvements other than buildings	5-15
Equipment and vehicles	5-7
Sidewalk improvements	15
Utility distribution system	15-50

5. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts of debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

7. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

8. Net assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

9. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for the enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in prior year data has been reclassified to be consistent with current year's presentation.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end to the extent they have not been expended or lawfully encumbered. Budgets for the enterprise funds serve as a spending guide and do not constitute legally binding limitations.

Before July 1, the proposed budget is presented to Town Council for review. The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as provided by the Town treasurer. Expenditures may not legally exceed budgeted appropriations at the department level.

The appropriated budget is prepared by fund, function, and department. The Town's council made budgetary modification during the year but did not change the total original appropriation.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2011, expenditures exceed appropriations in the following general fund department:

Department	Excess Expnditures Over Appropriations
General government administration	\$ 12,172

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

At year-end the carrying amount of the Town's deposits with banks and savings institutions was \$2,190,154 and the bank balance was \$2,200,747.

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

Investments

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

Investments are evaluated based on the following categories of risk:

- Investment rate risk
- Custodial credit risk
- Credit risk
- Concentration of credit risk

As of June 30, 2011, the Town's investments were held in bond escrow pooled accounts and not required to be categorized and are summarized as follows:

Type	Carrying Amount	Fair Value
Bond Escrow Pooled Funds	\$ 590,175	\$ 590,175

B. Receivables

Receivables as of year end for the government's individual funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Utility	Total
Receivables:			
Delinquent taxes	\$ 9,710	\$ -	\$ 9,710
Accounts	-	299,053	299,053
Intergovernmental	19,427	-	19,427
Franchise, and utility taxes	1,131	-	1,131
Employee Advances	2,705	-	2,705
Net total receivables	\$ 32,973	\$ 299,053	\$ 332,026

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue reported in the governmental funds was \$9,710 representing delinquent property taxes in the general fund.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

C. Due from Other Governments

At June 30, 2011 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia - Fire Department, Communication Tax	\$ 10,217
Loudoun County - Sales Tax	9,210
	<u>\$ 19,427</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 504,867	\$ -	\$ -	\$ 504,867
Total capital assets, not being depreciated	<u>504,867</u>	<u>-</u>	<u>-</u>	<u>504,867</u>
Capital assets, being depreciated:				
Buildings and improvements	337,689	5,073	-	342,762
Furniture and fixtures	16,812	6,126	-	22,938
Equipment	129,671	7,500	(30,376)	106,795
Sidewalk improvements	84,712	46,733	-	131,445
Total capital assets being depreciated	<u>568,884</u>	<u>65,432</u>	<u>(30,376)</u>	<u>603,940</u>
Less accumulated depreciation for:				
Buildings and improvements	(165,377)	(8,370)	-	(173,747)
Furniture and fixtures	(10,881)	(1,409)	-	(12,290)
Equipment	(108,323)	(4,624)	30,376	(82,571)
Sidewalk improvements	(47,581)	(3,456)	-	(51,037)
Total accumulated depreciation	<u>(332,162)</u>	<u>(17,859)</u>	<u>30,376</u>	<u>(319,645)</u>
Net capital assets being depreciated	<u>236,722</u>	<u>47,573</u>	<u>-</u>	<u>284,295</u>
Governmental activities capital assets, net	<u>\$ 741,589</u>	<u>\$ 47,573</u>	<u>\$ -</u>	<u>\$ 789,162</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 324,064	\$ -	\$ -	\$ 324,064
Construction in progress	1,357,911	1,439,659	-	2,797,570
Total capital assets, not being depreciated	1,681,975	1,439,659	-	3,121,634
Capital assets, being depreciated:				
Buildings and improvements	5,889,510	-	(270,649)	5,618,861
Utility distribution systems	5,889,953	-	-	5,889,953
Equipment	1,007,451	64,726	(261,045)	811,132
Total capital assets being depreciated	12,786,914	64,726	(531,694)	12,319,946
Less accumulated depreciation for:				
Buildings and improvements	(997,683)	(152,307)	-	(1,149,990)
Utility distribution systems	(3,032,209)	(120,303)	93,701	(3,058,811)
Equipment	(842,213)	(53,027)	241,193	(654,047)
Total accumulated depreciation	(4,872,105)	(325,637)	334,894	(4,862,848)
Net capital assets being depreciated	7,914,809	(260,911)	(196,800)	7,457,098
Business-type activities capital assets, net	\$ 9,596,784	\$ 1,178,748	\$ (196,800)	\$ 10,578,732

Depreciation expense was charged to functions/programs of the primary government as follows:

Activity	Depreciation
Governmental activities:	
General government administration	\$ 13,558
Public safety	486
Public works	3,815
Total depreciation expense - governmental activities	\$ 17,859
Business-Type Activities:	
Water and sewer	\$ 325,715

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

E. Long-Term Debt

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. A general obligation bond has been issued for proprietary activities. This bond is reported in the proprietary funds as it is expected to be repaid from proprietary fund revenues. General obligation bond is direct obligation and pledge the full faith and credit of the Town. These bond generally is issued as serial bond with amount of principal maturing each year. General obligation bond and note outstanding at June 30, 2011 are as follows:

Description	Amount
\$6,905,000 Virginia Resources Authority general obligation refunding bond, series 2009, 25 year bond dated June 17, 2009, at a varying interest rate of 1.125% to 5.030%, due in 25 annual principal installments starting October 1, 2009	<u>\$ 6,805,000</u>

Annual debt service requirements to maturity for general obligation debt are as follows:

Year ending June 30,	Business-type Activities	
	Principal	Interest
2012	\$ 50,000	\$ 310,544
2013	50,000	308,981
2014	195,000	305,153
2015	200,000	297,531
2016	215,000	287,772
2017 - 2021	1,225,000	1,266,334
2022 - 2026	1,545,000	948,325
2027 - 2031	1,940,000	552,047
2032 - 2034	1,385,000	99,219
Total	<u>\$ 6,805,000</u>	<u>\$ 4,375,906</u>

Note Payable. The Town had the following note outstanding at June 30, 2011:

Description	Amount
\$30,000 1976 note payable to Loudoun County, Virginia, no stated interest, payable \$750 for each designated out-of-town availability charged.	<u>\$ 16,500</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2011 was as follows:

	June 30, 2010	Additions	Retirements	June 30, 2011	Due Within One Year
Governmental activities:					
Compensated absences	\$ 35,634	\$ 2,083	\$ -	\$ 37,717	\$ 37,717
Governmental long-term liabilities	<u>\$ 35,634</u>	<u>\$ 2,083</u>	<u>\$ -</u>	<u>\$ 37,717</u>	<u>\$ 37,717</u>
Business-type activities:					
General obligation bonds	\$ 6,855,000	\$ -	\$ (50,000)	\$ 6,805,000	\$ 50,000
Note payable	16,500	-	-	16,500	-
Compensated absences	70,078	-	(8,212)	61,866	-
Premiums on bonds	162,892	-	(7,082)	155,810	-
Business-type long-term liabilities	<u>\$ 7,104,470</u>	<u>\$ -</u>	<u>\$ (65,294)</u>	<u>\$ 7,039,176</u>	<u>\$ 50,000</u>

Advance Refundings

The Town issued 2009 series \$6,905,000 general obligation refunding bonds to provide resources for advance bonded debt refunding. The Town advanced refunded the 2001 \$4,130,000 and 2003 \$2,305,000 bond debt. As a result, the refunded bonds are considered to be defeased and liability removed from bonded debt obligations. The reacquisition price exceeded the net carrying amount of the old debt by \$495,610 and is expensed as an accounting loss on refinancing. The advance refunding was undertaken to improve current cash flow by reducing the next five (5) years debt service requirements. Total debt service payments over the 25 year life of the new bonded debt increased by \$2,302,376 with an estimated economic loss of \$328,927.

F. Restricted Net Assets

The balances of the restricted asset accounts are as follows:

Description	Amount
Utility fund customer deposits	\$ 17,257
Utility fund bond escrows	590,175
	<u>\$ 607,432</u>

G. Interfund Transactions and Balances

Operating Transfers	Transfers	
	In	Out
General Fund	\$ 99,443	\$ -
Utility Fund	-	99,443
	<u>\$ 99,443</u>	<u>\$ 99,443</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

H. Capital Contributions

Contributed capital for the water and sewer fund consists of funds received from developers and individuals for use in the aid of construction. A summary of capital contributions collected during fiscal year 2011 follows:

Source of Capital	Proprietary Fund
Availability fees	<u>\$ 325,753</u>

IV. OTHER INFORMATION

A. Office Lease Agreement

The Town entered into an agreement effective April 1, 2005 with the County of Loudoun, Virginia to lease the County office space in the Town Hall office building. The original three year lease term, and option for two year continuance has expired and the County has extended the lease agreement on March 31, 2011 for one year, with mutual agreement. Current monthly rental income is \$1,801. Minimum annual lease installment income for of the lease under the continuance option is as follows: 2011, \$16,207.

B. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined together with other municipalities in the Commonwealth of Virginia in several public entity risk pools (not self-insured) that operate as common risk management and insurance programs for member municipalities. The risk pools include:

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2011 the Town paid premiums of approximately \$12,500 to VMGSIA.

VMLP: The Town has general and excess liability, automobile, property, boiler and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2011, the Town paid contributions of approximately \$34,251 to the VMLP.

The town continues to carry the above commercial insurance for risks of loss. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

C. Surety Bonds

The Town maintains a \$25,000 blanket surety bond on all employees through the VMLP.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

D. Defined Benefit Pension Plan

Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain period of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basis Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit. Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the Town. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's total contribution rate (employee and employer) for the fiscal year ended 2011 was 11.48% of annual covered payroll.

Annual Pension Cost

For 2011, the Town's annual pension cost of \$68,134 was equal to the Town's and employee's required and actual contributions.

Five year historical trend information for annual pension costs is as follows:

Fiscal Year Ended	Annual Premium Costs (APC)	% APC Funded	Net Pension Obligation
2011	\$ 68,134	100%	None
2010	70,628	100%	None
2009	70,123	100%	None
2008	74,652	100%	None
2007	73,759	100%	None

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.5% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

Required Supplementary Information – Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 98.67% funded. The actuarial accrued liability for benefits was \$922,443 and the actuarial value of assets was \$910,218 resulting in an unfunded actuarial accrued liability (UAAL) of \$12,225. The covered payroll (annual payroll of active employees covered by the plan) was \$638,268, and ratio of the UAAL to the covered payroll was 1.92%.

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
June 30,	(a)	(b)	(b-a)		(c)	(b-a/c)
2006	\$ 477,626	\$ 354,855	\$ (122,271)	134.60%	\$ 496,980	(24.70%)
2007	603,821	521,079	(82,742)	115.88%	564,572	(14.66%)
2008	742,017	644,867	(97,150)	115.07%	639,933	(15.18%)
2009	854,520	795,669	(58,851)	107.40%	705,715	(8.34%)
2010	910,218	922,443	12,225	98.67%	638,268	1.92%

E. Subsequent Events

The Town of Round Hill has evaluated events and transactions subsequent to June 30, 2011 through September 13, 2011, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2011 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2011.

TOWN OF ROUND HILL, VIRGINIA

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues			
General Property Taxes			
Real and personal property taxes	\$ 152,000	\$ 150,446	\$ (1,554)
Penalties and interest	-	1,652	1,652
Total General Property Taxes	152,000	152,098	98
Other Local Taxes			
Sales taxes	56,000	56,929	929
Bank stock tax	-	452	452
Consumer utility tax	13,600	13,429	(171)
Total Other Local Taxes	69,600	70,810	1,210
Permits, Fees and Licenses			
Zoning permits	1,400	4,900	3,500
Business licenses	11,800	28,530	16,730
Motor vehicle licenses	9,000	8,828	(172)
Total Permits, Fees, and Licenses	22,200	42,258	20,058
Revenues from Use of Money and Property			
Office rental income	20,980	21,138	158
Cell antenna revenue	27,200	71,662	44,462
Interest on bank deposits	-	2,026	2,026
Total Revenues from Use of Money and Property	48,180	94,826	46,646
Events/Sales/Other			
Town events	11,000	15,249	4,249
Contributions	-	-	-
Other	500	3,861	3,361
Total Other Revenue	11,500	19,110	7,610
Intergovernmental			
Communication Tax	13,500	14,528	1,028
State grants	200,120	6,000	(194,120)
State aid - fire department	8,000	8,000	-
State aid - personal property	18,613	18,613	-
Total Intergovernmental	240,233	47,141	(193,092)
Total General Fund Revenues	543,713	426,243	(117,470)
Other Financing Sources			
Transfers in	99,443	99,443	-
Total Other Financing Sources	99,443	99,443	-
Total General Fund Revenues and Other Financing Sources	\$ 643,156	\$ 525,686	\$ (117,470)

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

TOWN OF ROUND HILL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Original & Final Budget	Actual	Variance Positive (Negative)
General Government			
Administration			
Full time staff	\$ 202,501	\$ 204,436	\$ (1,935)
Part time staff	2,500	2,695	(195)
Advertising	600	438	162
Auditing and accounting	2,645	2,645	-
Subcontractors	1,000	-	1,000
Legal fees	18,000	21,172	(3,172)
Communication	4,400	4,412	(12)
Postage and box rental	698	756	(58)
Office supplies	3,000	3,604	(604)
Payroll taxes	15,682	15,424	258
Worker's benefits	28,279	27,753	526
Printing	500	-	500
Retirement benefits	22,154	23,247	(1,093)
Office equipment and maintenance	17,700	15,759	1,941
Software update	7,500	7,500	-
Training - staff and officials	1,500	103	1,397
General office	2,800	8,565	(5,765)
Building and grounds			
Utilities - Internet	6,320	6,133	187
Cleaning	1,320	1,320	-
Maintenance	3,000	3,095	(95)
Other expenses			
Town events	11,400	15,142	(3,742)
Grant funding	10,000	10,000	-
Liability and other insurance	12,155	12,032	123
Newsletter	2,200	2,396	(196)
Miscellaneous	255	1,654	(1,399)
Total General Government	<u>378,109</u>	<u>390,281</u>	<u>(12,172)</u>
Public Safety - Fire Department	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Public Works			
Trash removal/recycling	44,750	42,947	1,803
Street lighting	4,600	5,709	(1,109)
Town office	5,000	6,126	(1,126)
Streets, sidewalks, and signs maintenance	23,950	17,191	6,759
Franklin Park trail system	70,810	-	70,810
Stormwater management	221,997	37,860	184,137
Total Public Works	<u>371,107</u>	<u>109,833</u>	<u>261,274</u>
Total General Fund Expenditures	<u>\$ 763,216</u>	<u>\$ 514,114</u>	<u>\$ 249,102</u>

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

**TOWN OF ROUND HILL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2011**

Assessed value of taxable real property	<u>\$ 61,882,218</u>
Debt limit (10% of assessed value)	6,188,222
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 6,188,222</u>

Section 15.1-176 of 1950 Code of Virginia, as amended, limits to 10% of the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from the debt margin calculation are bonds payable from enterprise funds issued under Article VII Section 10(a)(2) of the Constitution of Virginia (formerly Clause (B) of Section 127 of the Constitution of Virginia). This exclusion applies to the 2009 bond obligations.

Taxable assessed value is as of January 1, 2010 and includes real property owned by public service corporations, other supplements and reduced for abatements and elderly relief.