

TOWN OF ROUND HILL, VIRGINIA

*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
June 30, 2022**

**TOWN OF ROUND HILL, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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**TOWN OF ROUND HILL, VIRGINIA
JUNE 30, 2022**

MAYOR AND TOWN COUNCIL

Scott T. Ramsey, Mayor
Mary Anne Graham, Vice Mayor

Jesse Howe
Paula James

Sean Lloyd
Michael B. Hummel

OFFICIALS

Melissa K. Hynes, Town & Zoning Administrator
Bobby Lohr, Town Planner
Robert W. Lohr, Project Manager
Harriet West, Town Clerk
Sue Holland, Treasurer

LEGAL COUNSEL

Maureen K. Gilmore

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Round Hill, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Round Hill, Virginia, as of June 30, 2022, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Round Hill, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Round Hill, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town Round Hill, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Round Hill, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 is the responsibility of management and, 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 management's discussion and analysis 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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

February 6, 2023
Leesburg, Virginia

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, 2022.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$26,243,238.
- The Town's total net position increased by \$646,649 for fiscal year ended June 30, 2022
- As of the close of the current fiscal year, the Town of Round Hill's governmental funds reported combined ending fund balances of \$5,273,729, an increase of \$222,791 in comparison with the prior year. \$1,435,449 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$225,000 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 position presents information on all Town assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 capital projects fund and adopts a nonbinding budget for its water sewer fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget related to basic general government activities.

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 20-42 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 43-48 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$26,243,238 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position 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 position by type of activity as of June 30, 2022.

TOWN OF ROUND HILL - NET POSITION			
	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Current and other assets	\$ 2,606,161	\$ 6,104,309	\$ 8,710,470
Capital assets	3,838,280	20,071,442	23,909,722
Total Assets	6,444,441	26,175,751	32,620,192
Deferred Outflows of Resources	52,934	90,903	143,837
Liabilities			
Long-term liabilities	9,809	4,851,815	4,861,624
Other liabilities	806,330	254,999	1,061,329
Total Liabilities	816,139	5,106,814	5,922,953
Deferred Inflows of Resources	407,507	190,331	597,838
Net Position			
Net investment in capital assets	3,838,280	16,314,942	20,153,222
Restricted	-	-	-
Unrestricted	1,435,449	4,654,567	6,090,016
Total Net Position	\$ 5,273,729	\$ 20,969,509	\$ 26,243,238

The remaining balance of unassigned net position 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 for both of the categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

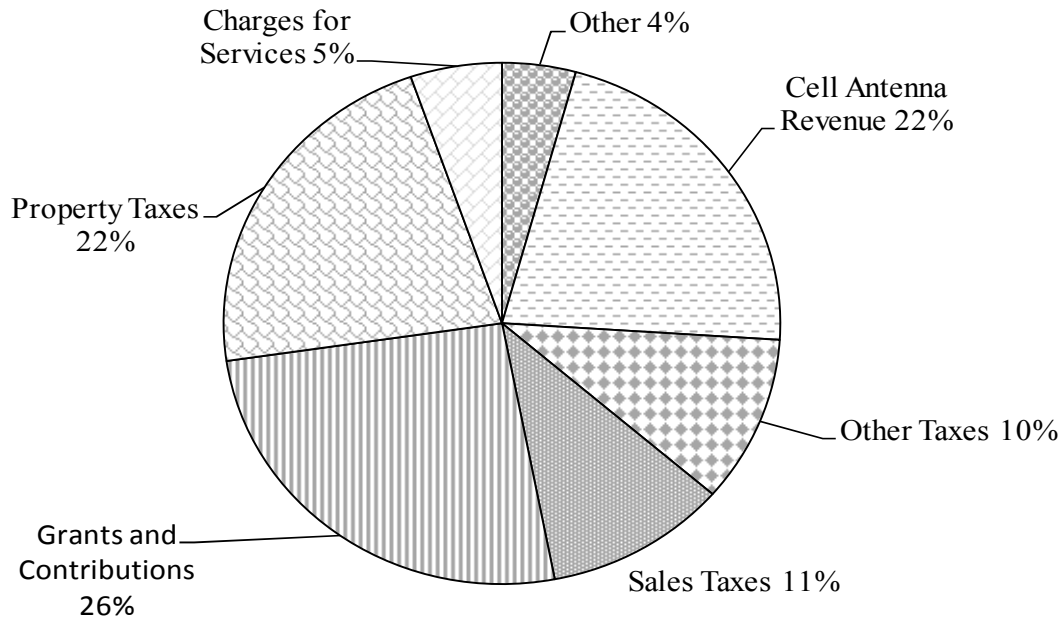
The Town's net position increased by \$222,791

Governmental activities. Governmental activities increased the Town's net position by \$222,794. These changes are presented in column one of the following table:

TOWN OF ROUND HILL - CHANGES IN NET POSITION			
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 40,569	\$ 2,386,610	\$ 2,427,179
Operating grants and contributions	20,829	-	20,829
Capital grants and contributions	178,174	1,038,124	1,216,298
General Revenues			
Property taxes	169,552	-	169,552
Other taxes and licenses	161,949	-	161,949
Cell antenna revenue	168,229	-	168,229
Other	32,985	14,967	47,952
Total Revenues	772,287	3,439,701	4,211,988
Expenses			
General government	690,277	-	690,277
Public safety	31,000	-	31,000
Public works	117,874	-	117,874
Capital projects	34,136	-	34,136
Water and sewer	-	2,692,052	2,692,052
Total Expenses	873,287	2,692,052	3,565,339
Transfers	323,791	(323,791)	-
Increase in Net Position	222,791	423,858	646,649
Net Position - 07/01/21	5,050,938	20,545,651	25,596,589
Net Position - 06/30/22	\$ 5,273,729	\$ 20,969,509	\$ 26,243,238

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2022.

Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the Town's net position by \$438,858. Key elements of this change are as follows.

Available fees collected in FYE 06/30/22 - \$1,038,124

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 \$1,329,971, a decrease of \$31,302 in comparison with the prior year. Of this fund balance amount, \$1,329,971 is unassigned fund balance, which is available for spending at the government's discretion.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,719,551. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$1,719,551 is about 206% of the total general fund expenditures of \$835,150.

The fund balance of the Town of Round Hill, Virginia's general fund increased by \$78,568 during the current fiscal year. The key factors in this increase was the transfer from water and sewer fund, \$323,791.

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 position of the water and sewer fund at the end of the year amounted to \$20,969,509. The total increase in net position for proprietary funds was \$423,858. 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, 2021, amounts to \$23,909,722 (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 donation of park and improvements, purchase of park improvements and purchase equipment, water/sewer system improvements, and sidewalk improvements during the year.

The table below summarizes the capital assets of the Town at June 30, 2022.

TOWN OF ROUND HILL - CAPITAL ASSETS			
(Net of accumulated depreciation)			
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,445,067	\$ 541,464	\$ 1,986,531
Buildings and improvements	186,414	2,799,042	2,985,456
Parks and improvements	758,046	-	758,046
Utility distribution systems	-	16,186,430	16,186,430
Furniture and fixtures	-	-	-
Machinery and equipment	2,917	544,506	547,423
Sidewalk improvements	1,445,836	-	1,445,836
Total	\$ 3,838,280	\$ 20,071,442	\$ 23,909,722

Additional information on the Town of Round Hill capital assets can be found in note III. C on pages 29-30 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 \$3,740,000 2020 VRS Bond. 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 31-32 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 POSITION
JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 873,761	\$ 2,477,911	\$ 3,351,672
Virginia Investment Pool	1,186,802	2,909,209	4,096,011
Receivables (net, where applicable, of allowance for uncollectible)			
Property taxes, including penalties	85,629	-	85,629
Utility taxes	1,333	-	1,333
Accounts	-	445,687	445,687
Tower rental	3,551	-	3,551
Tower lease	296,681	-	296,681
Due from other governments	8,270	-	8,270
Restricted assets, cash on deposit			
Customer deposits	-	13,663	13,663
Overfunded pension asset	150,134	257,839	407,973
Capital assets (net of accumulated depreciation)			
Land	1,445,067	541,464	1,986,531
Buildings and improvements	186,414	2,799,042	2,985,456
Parks and improvements	758,046	-	758,046
Utility distribution systems	-	16,186,430	16,186,430
Furniture and fixtures	-	-	-
Machinery and equipment	2,917	544,506	547,423
Streets, sidewalk and improvements	1,445,836	-	1,445,836
Total assets	6,444,441	26,175,751	32,620,192
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	-	-
Deferred pension obligation	52,934	90,903	143,837
Total deferred outflows	52,934	90,903	143,837
Liabilities			
Accounts payable and other liabilities	11,040	196,330	207,370
Accrued interest payable	-	45,006	45,006
Public Improvement Escrow	36,664	-	36,664
Liabilities payable from restricted assets	-	13,663	13,663
Reserve for proffers	709,602	-	709,602
Noncurrent liabilities:			
Due within one year	49,024	230,000	279,024
Due in more than one year	9,809	4,621,815	4,631,624
Total liabilities	816,139	5,106,814	5,922,953
Deferred Inflows of Resources			
Deferred pension inflow	110,826	190,331	301,157
Deferred lease inflow	296,681	-	296,681
Total deferred outflows	407,507	190,331	597,838
Net Position			
Net investment in capital assets	3,838,280	16,314,942	20,153,222
Restricted	-	-	-
Unrestricted	1,435,449	4,654,567	6,090,016
Total net position	\$ 5,273,729	\$ 20,969,509	\$ 26,243,238

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

**TOWN OF ROUND HILL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General	Capital Projects	Total Governmental
Assets			
Cash and cash equivalents	\$ 1,279,399	\$ (405,638)	\$ 873,761
Virginia Investment Pool	414,683	772,119	1,186,802
Receivables			
Property taxes	85,629	-	85,629
Utility taxes	1,333	-	1,333
Tower rental	3,551	-	3,551
Due from other governments	8,270	-	8,270
Total assets	\$ 1,792,865	\$ 366,481	\$ 2,159,346
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other liabilities	\$ 1,245	\$ 9,795	\$ 11,040
Public improvements escrow funds	-	36,664	36,664
Compensated absences	49,024	-	49,024
Post retirement benefits	9,809	-	9,809
Reserve for proffers	-	709,602	709,602
Total liabilities	60,078	756,061	816,139
Deferred Inflows of Resources			
Unavailable revenue	13,236	-	13,236
Fund balances			
Unassigned, reported in General Fund	1,719,551	(389,580)	1,329,971
Restricted	-	-	-
Total fund balances	1,719,551	(389,580)	1,329,971
Total liabilities and fund balances			
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,838,280	-	3,838,280
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,236	-	13,236
Pension obligation reporting.	92,242	-	92,242
Net position of governmental activities	\$ 5,663,309	\$ (389,580)	\$ 5,273,729

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
JUNE 30, 2022

	General Fund	Capital Project Funds	Total Governmental
Revenues			
General property taxes	\$ 167,416	\$ -	\$ 167,416
Other local taxes	121,482	-	121,482
Permits, licenses, and fees	36,792	-	36,792
Revenues from use of money and property	180,551	2,050	182,601
Events/sales/other	34,386	-	34,386
Intergovernmental	49,300	-	49,300
Loudoun County transportation proffers	-	178,174	178,174
Total revenues	589,927	180,224	770,151
Expenditures			
General government	686,276	-	686,276
Public safety	31,000	-	31,000
Public works	117,874	-	117,874
Capital projects/improvements	-	290,094	290,094
Total expenditures	835,150	290,094	1,125,244
(Deficiency) of revenues (under) expenditures	(245,223)	(109,870)	(355,093)
Other Financing Sources			
Transfers in	323,791	-	323,791
Capital contributions	-	-	-
Total other financing sources	323,791	-	323,791
Net change in fund balances	78,568	(109,870)	(31,302)
Fund balance - beginning	1,640,983	(279,710)	1,361,273
Fund balance - ending	\$ 1,719,551	\$ (389,580)	\$ 1,329,971

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, 2022**

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

Net change in fund balances - total governmental funds	\$ (31,302)
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.	290,069
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(34,111)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,136
Pension funding obligation changes are reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, the changes in the pension obligation requirements are not reported as a liability in the governmental funds.	<u>(4,001)</u>
Change in net position of governmental activities	<u>\$ 222,791</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, 2022**

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenues			
General property taxes	\$ 144,760	\$ 167,416	\$ 22,656
Other local taxes	100,200	121,482	21,282
Permits, fees, and licenses	23,750	36,792	13,042
Revenues from use of money and property	169,198	180,551	11,353
Events/sales/other	12,000	34,386	22,386
Intergovernmental	52,613	49,300	(3,313)
Total revenues	<u>502,521</u>	<u>589,927</u>	<u>87,406</u>
Expenditures			
General government administration	706,534	686,276	20,258
Public safety	17,000	31,000	(14,000)
Public works	102,778	117,874	(15,096)
Total expenditures	<u>826,312</u>	<u>835,150</u>	<u>(8,838)</u>
(Deficiency) of revenues (under) expenditures	<u>(323,791)</u>	<u>(245,223)</u>	<u>78,568</u>
Other Financing Sources			
Transfers in	309,738	323,791	14,053
Total other financing sources	<u>309,738</u>	<u>323,791</u>	<u>14,053</u>
Net change in fund balances	(14,053)	78,568	92,621
Fund balances - beginning	<u>1,640,983</u>	<u>1,640,983</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,626,930</u>	<u>\$ 1,719,551</u>	<u>\$ 92,621</u>

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

**TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Business-type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
Assets		
Current assets		
Cash and cash equivalents	\$ 2,477,911	\$ 2,324,900
Virginia Investment Pool	2,909,209	2,901,487
Accounts receivable	445,687	459,276
Total current assets	<u>5,832,807</u>	<u>5,685,663</u>
Noncurrent assets		
Restricted assets, cash on deposit		
Bond escrow funds	-	-
Customer deposits	13,663	16,436
Total restricted assets	<u>13,663</u>	<u>16,436</u>
Overfunded pension asset	257,839	68,977
Capital assets		
Land, buildings, and structures	6,351,387	6,351,387
Utility distribution systems	22,412,225	21,652,615
Equipment	1,977,136	1,922,967
Less accumulated depreciation	(10,669,306)	(10,005,105)
Total capital assets (net of accumulated depreciation)	<u>20,071,442</u>	<u>19,921,864</u>
Total noncurrent assets	<u>20,342,944</u>	<u>20,007,277</u>
Total assets	<u>26,175,751</u>	<u>25,692,940</u>
Deferred Outflows of Resources		
Deferred charge on refunded debt	-	-
Deferred pension obligation	90,903	135,245
Total deferred outflows	<u>90,903</u>	<u>135,245</u>
Liabilities		
Current liabilities		
Accounts payable and other liabilities	196,330	58,414
Accrued interest payable	45,006	31,600
General obligation bonds - current	230,000	225,000
Total current liabilities	<u>471,336</u>	<u>315,014</u>
Current liabilities payable from restricted assets		
Customer deposits payable	13,663	16,436
Total current liabilities payable from restricted assets	<u>13,663</u>	<u>16,436</u>
Noncurrent liabilities		
Compensated absences	125,641	113,935
Post retirement benefits	33,250	33,250
Premium on bonds	936,424	1,008,459
Notes payable	16,500	16,500
General obligation bonds payable	3,510,000	3,740,000
Total noncurrent liabilities	<u>4,621,815</u>	<u>4,912,144</u>
Total liabilities	<u>5,106,814</u>	<u>5,243,594</u>
Deferred Inflows of Resources		
Deferred pension inflow	190,331	38,940
Net Position		
Net investment in capital assets	16,314,942	15,940,364
Unrestricted	4,654,567	4,605,287
Total net position	<u>\$ 20,969,509</u>	<u>\$ 20,545,651</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
Operating revenues:		
Charges for services	\$ 2,307,458	\$ 2,320,852
Connection fees	68,950	57,793
Meter fees and miscellaneous revenue	10,202	4,750
Total operating revenues	2,386,610	2,383,395
Operating expenses:		
Personal services	745,984	718,524
Fringe benefits	237,180	197,483
Depreciation	664,201	668,720
Office expense	58,432	42,326
Truck expense	39,273	14,990
Engineering support	57,092	52,518
Supplies	180,947	149,313
Repairs and maintenance	340,390	315,466
Insurance	32,971	24,094
Utilities	139,322	135,726
Telephone	8,553	7,597
Licenses and permits	8,134	7,413
Miscellaneous	4,422	7,044
Sludge removal	9,772	6,377
Safety	7,860	4,777
Professional fees	31,302	33,416
Total operating expenses	2,565,835	2,385,784
Operating Income	(179,225)	(2,389)
Nonoperating revenues (expenses):		
Investment earnings	7,722	4,279
Bond interest (net amortization)	(126,217)	(43,676)
Sale of equipment	7,245	-
2009 bond unamortized charge	-	(242,849)
Unamortized 2009 bond premium	-	92,070
Excess cost defease 2009 bonds	-	(80,868)
2020 Bond issuance costs	-	(96,943)
Total nonoperating (expenses)	(111,250)	(367,987)
Surplus (loss) before contributions and transfers	(290,475)	(370,376)
Transfers and capital contributions		
Availability fees	1,038,124	992
Capital contributions	-	-
Transfers (out)	(323,791)	(391,855)
Total transfers and capital contributions	714,333	(390,863)
Change in net position	423,858	(761,239)
Total net position - beginning of year	20,545,651	21,306,890
Total net position - end of year	\$ 20,969,509	\$ 20,545,651

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, 2022**

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,400,199
Payments to suppliers	(1,065,152)
Payments to employees	(675,547)
Net cash provided by operating activities	<u>659,500</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(323,791)
Net cash (used in) noncapital and related financing activities	<u>(323,791)</u>
Cash Flows from Capital and Related Financing Activities	
Availability fees	1,038,124
Acquisition and construction of capital assets	(813,779)
Principal paid on capital debt	(225,000)
2020 bond premium	-
Bond debt refinance fees	-
Interest paid on capital debt	(184,816)
Net cash used in capital and related financing activities	<u>(185,471)</u>
Cash Flows from Investing Activities	
Purchase of investments	(7,722)
Interest and dividends received	7,722
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	150,238
Cash and cash equivalents July 1, 2021	<u>2,341,336</u>
Cash and cash equivalents June 30, 2022	<u>\$ 2,491,574</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ (179,225)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	664,201
Decrease in accounts receivable	13,589
Decrease in pension asset	(144,520)
Increase in accounts payable	137,916
Decrease in customer deposits	(2,773)
Increase in compensated absences	11,706
(Decrease) in deferred pension	158,606
Total adjustments	<u>838,725</u>
Net cash provided by operating activities	<u>\$ 659,500</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 Town of Round Hill, Virginia (the Town) was established in 1900. The Town is governed by a mayor and a six member town council who are elected at large for a four year term.

The financial statements of 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 of Round Hill, Virginia (government) is a municipal corporation governed by an elected mayor and six-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is defined at appointment of voting majority of the component unit's board and either (a) the ability to impose its will on the component unit, 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 that there are no component units requiring inclusion in the Town's reporting.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of 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.

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.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

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

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.

Additionally, the government reports on the following non-major governmental funds:

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by the proprietary.

The government reports the following major proprietary funds:

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule the effect of inter-fund 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.

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, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

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.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

2. Receivables and Payables (Continued)

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia for all property of record as of January 1. The County bills and collects personal and real estate taxes based on its own assessed values and then remits these amounts to the town monthly. Real estate and personal property taxes are levied annually on January 1 and are due November 5 and December 5. The bills will be sent out semi-annually.

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.

Reserve for Proffers – The Town has collected funds from developers for specific public improvement projects. The funds are restricted for this specific use and release from the restriction as spent.

4. Use of Estimates

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

5. 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.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

5. Capital Assets (Continued)

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*. 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 \$126,217.

No interest expense was included as part of the cost of capital assets under construction in connection with water and sewer construction projects for FY22.

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

Types of Assets	Years
Buildings	39-50
Improvements other than buildings	10-15
Equipment and vehicles	5-10
Sidewalk improvements	15
Utility distribution system	15-50

6. 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.

7. Reserve for Proffers

The general and capital projects funds report a liability for proffers of \$709,602. The Commonwealth of Virginia grants localities the ability to seek voluntary proffers from developers to offset costs for infrastructure and public services generated by development through the rezoning process. The Town's most common proffered cash contributions are those to offset future capital costs associated with public facilities and transportation improvements. Revenue from proffers is recognized by the Town as proffer projects are completed.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

8. 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 position. Bond premiums and discounts, as well as accounting charge on refinance, 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 or accounting charge.

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 another 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.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town of Round Hill has two items that qualify for reporting in this category: (1) Deferred charge on refunding debt reported in the proprietary funds financial statement of net position and government wide financial statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; and, (2) Deferred pension obligation reporting in the proprietary funds financial statement of net position and in the governmental and business-type activities in the government wide financial statement of net position. A deferred charge pension obligation results from advance payments on the pension funding prior to the actuarial report establishing the funding requirement.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town of Round Hill has two items which qualify for reporting in this category: (1) Under modified accrual basis of accounting under the governmental funds, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from real estate taxes. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available; and, (2) Deferred pension inflow reported in the proprietary funds financial statement of net position and in the governmental and business-type activities in the government wide financial statement of net position. The deferred pension inflow results from the net difference between projected and actual earnings on plan investments.

10. Net Position

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

11. Fund Balance

The Town has adopted 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:

- **Non-spendable Fund Balance** – amounts that are not in spendable form (such as inventory and prepaid) 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).

E. Pensions

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

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, 2022, the general fund appropriations exceeded expenditures by \$8,838.

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 \$3,475,304 and the bank balance was \$3,365,335.

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

Custodial Credit Risk (Deposits): This is the risk, in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the Virginia Security for Public Deposits Act. At year-end, none of the Town's deposits are exposed to custodial credit risk.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

A. Deposits and Investments (Continued)

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 and the VML/VACO Investment Pool.

As of June 30, 2022, the Town’s investments were held in the VML/VACO Investment Pool and summarized as follows:

Type	Carrying Amount	Fair Value
VML/VACO Investment Pool (VIP)	\$ 4,096,011	\$ 4,096,011

Virginia Municipal League and Virginia Association of Counties (VML/VACo) – Investment Pool

VML/VACo’s pooled investment program is used by local governments to invest assets they expect to hold longer than one year. Participants are invested in high-quality corporate and government securities with an average duration of one to two years. The pool has been rated AAAM by Standard & Poor’s as of June 30, 2022.

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:			
Property taxes	\$ 85,629	\$ -	\$ 85,629
Accounts	-	445,687	445,687
Intergovernmental	8,270	-	8,270
Utility taxes	1,333	-	1,333
Tower rental	3,551	-	3,551
Net total receivables	\$ 98,783	\$ 445,687	\$ 544,470

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 \$13,236 representing property taxes in the general fund.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

B. Receivables

At June 30, 2022 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia - Fire Department, Communication Tax	\$ 970
Loudoun County - Sales Tax	7,300
	<u>\$ 8,270</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,445,067	\$ -	\$ -	\$ 1,445,067
Total capital assets, not being depreciated	<u>1,445,067</u>	<u>-</u>	<u>-</u>	<u>1,445,067</u>
Capital assets, being depreciated:				
Buildings and improvements	444,901	1,436	-	446,337
Parks and improvements	774,479	84,769	-	859,248
Furniture and fixtures	22,938	-	-	22,938
Equipment	99,009	-	-	99,009
Streets, sidewalks and improvements	1,340,803	203,864	-	1,544,667
Total capital assets being depreciated	<u>2,682,130</u>	<u>290,069</u>	<u>-</u>	<u>2,972,199</u>
Less accumulated depreciation for:				
Buildings and improvements	(248,210)	(11,713)	-	(259,923)
Parks and improvements	(90,116)	(11,086)	-	(101,202)
Furniture and fixtures	(22,938)	-	-	(22,938)
Equipment	(92,000)	(4,092)	-	(96,092)
Sidewalk improvements	(91,611)	(7,220)	-	(98,831)
Total accumulated depreciation	<u>(544,875)</u>	<u>(34,111)</u>	<u>-</u>	<u>(578,986)</u>
Net capital assets being depreciated	<u>2,137,255</u>	<u>255,958</u>	<u>-</u>	<u>2,393,213</u>
Governmental activities capital assets, net	<u>\$ 3,582,322</u>	<u>\$ 255,958</u>	<u>\$ -</u>	<u>\$ 3,838,280</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 541,464	\$ -	\$ -	\$ 541,464
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>541,464</u>	<u>-</u>	<u>-</u>	<u>541,464</u>
Capital assets, being depreciated:				
Buildings and improvements	5,809,923	-	-	5,809,923
Utility distribution systems	21,652,615	759,610	-	22,412,225
Equipment	1,922,967	54,169	-	1,977,136
Total capital assets being depreciated	<u>29,385,505</u>	<u>813,779</u>	<u>-</u>	<u>30,199,284</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,852,764)	(158,117)	-	(3,010,881)
Utility distribution systems	(5,800,783)	(425,012)	-	(6,225,795)
Equipment	(1,351,558)	(81,072)	-	(1,432,630)
Total accumulated depreciation	<u>(10,005,105)</u>	<u>(664,201)</u>	<u>-</u>	<u>(10,669,306)</u>
Net capital assets being depreciated	<u>19,380,400</u>	<u>149,578</u>	<u>-</u>	<u>19,529,978</u>
Business-type activities capital assets, net	<u>\$ 19,921,864</u>	<u>\$ 149,578</u>	<u>\$ -</u>	<u>\$ 20,071,442</u>

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 15,805
Public works	18,306
Total depreciation expense - governmental activities	<u>\$ 34,111</u>
Business-Type Activities:	
Water and sewer	<u>\$ 664,201</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. 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, 2022 are as follows:

Description	Amount
\$4,240,000 Virginia Resources Authority general obligation refunding bond, series 2020, 14 year bond dated July 5, 2020, at a varying interest rate of 4.125% to 5.125%, due in 14 annual principal installments starting October 1, 2020	<u>\$ 3,740,000</u>

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

Year ending June 30,	Business-type Activities	
	Principal	Interest
2023	230,000	174,131
2024	245,000	161,959
2025	260,000	149,019
2026	275,000	135,309
2027	285,000	120,959
2028 - 2032	1,670,000	363,065
2033 - 2034	775,000	28,076
Total	<u>\$ 3,740,000</u>	<u>\$ 1,132,518</u>

Note Payable. The Town had the following note outstanding at June 30, 2022:

\$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>
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TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2022 was as follows:

	June 30, 2021	Additions	Retirements	June 30, 2022	Due Within One Year
Governmental activities:					
Compensated absences	\$ 45,675	\$ 3,349	\$ -	\$ 49,024	\$ 49,024
Post retirement benefits	9,809	-	-	9,809	-
Governmental long-term liabilities	<u>\$ 55,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,833</u>	<u>\$ 49,024</u>
Business-type activities:					
General obligation bonds	\$ 3,965,000	\$ -	\$ (225,000)	\$ 3,740,000	\$ 230,000
Note payable	16,500	-	-	16,500	-
Compensated absences	113,935	-	11,706	125,641	-
Premiums on bonds	1,008,459	-	(72,035)	936,424	-
Post retirement benefits	33,250	-	-	33,250	-
Business-type long-term liabilities	<u>\$ 5,137,144</u>	<u>\$ -</u>	<u>\$ (285,329)</u>	<u>\$ 4,851,815</u>	<u>\$ 230,000</u>

The legal debt limit mandated by the Commonwealth of Virginia is \$10,395,434. The 2020 bond debt of \$3,965,000 issued for use in the Utility Fund is supported by Utility Fund revenue and is not counted against the debt limit.

E. Restricted Net Position

The balances of the restricted asset accounts are as follows:

Description	Amount
Utility fund customer deposits	<u>\$ 13,663</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

F. Interfund Transactions and Balances

Operating Transfers	Transfers	
	In	Out
General Fund	\$ 323,791	\$ -
Utility Fund	-	323,791
	<u>\$ 323,791</u>	<u>\$ 323,791</u>

IV. OTHER INFORMATION

A. Office Lease Agreement

The Town entered into an agreement with Apple House Contracting to lease office space in the Town Hall office building. For 2022 rental income was \$11,221.

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 2022 the Town paid premiums of approximately \$9,233 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 2022, the Town paid contributions of approximately \$37,830 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

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan

Plan Description

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

All full-time, salaried permanent employees of the Town 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 for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at the VRS web site - varetirement.org.

Employees Covered by Benefit Terms

As of the June 30, 2020 valuation date, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2020 Number
Inactive members or their beneficiaries currently receiving benefits	<u>10</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	2
Inactive members active elsewhere in VRS	7
Total inactive members	<u>14</u>
Active members	<u>13</u>
Total covered employees	<u><u>37</u></u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to towns 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, 2021 was 3.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$35,036 and \$33,855 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2021.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the employer for the Town 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, 2021 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020 (surplus)	\$ 2,070,375	\$ 2,179,516	\$ (109,141)
Changes for the year:			
Service cost	98,330		98,330
Interest	137,497		137,497
Changes of assumptions	105,952		105,952
Differences between expected and actual experience	36,758		36,758
Contributions - employer		31,852	(31,852)
Contributions - employee		44,850	(44,850)
Net investment income		602,058	(602,058)
Benefit payments, including refunds of employee contributions	(66,778)	(66,778)	-
Administrative expenses	-	(1,448)	1,448
Other changes	-	57	(57)
Net changes	<u>311,759</u>	<u>610,591</u>	<u>(298,832)</u>
Balances at June 30, 2021 (surplus)	<u>\$ 2,382,134</u>	<u>\$ 2,790,107</u>	<u>\$ (407,973)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	(5.75%)	Rate (6.75%)	(7.75%)
Town's Net Pension Liability (Surplus)	<u>\$ (55,584)</u>	<u>\$ (407,973)</u>	<u>\$ (696,153)</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$45,908. At June 30, 2022 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,531	\$ -
Change in assumptions	66,270	-
Net difference between projected and actual earnings on pension plan investments	-	301,157
Employer contributions subsequent to the measurement date	35,036	-
Total	<u>\$ 143,837</u>	<u>\$ 301,157</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amortization</u>
2023	37,308
2024	(33,406)
2025	(70,293)
2026	(90,929)

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

	2021	2020	2019	2018	2017
Total pension liability					
Service cost	\$ 98,330	\$ 79,502	\$ 76,278	\$ 87,881	\$ 80,488
Interest	137,497	123,000	128,014	115,023	105,729
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	36,758	77,866	(206,586)	41,384	33,953
Changes in assumptions	105,952	-	60,145	-	(37,365)
Benefit payments, including refunds of employee contributions	(66,778)	(64,417)	(64,397)	(53,016)	(46,972)
Net change in total pension liability	311,759	215,951	(6,546)	191,272	135,833
Total pension liability - beginning	2,070,375	1,854,424	1,860,970	1,669,698	1,533,905
Total pension liability - ending (a)	\$ 2,382,134	\$ 2,070,375	\$ 1,854,424	\$ 1,860,970	\$ 1,669,738
Plan fiduciary net position					
Contributions - employer	\$ 31,852	\$ 38,017	\$ 32,966	\$ 35,848	\$ 35,807
Contributions - employee	44,850	39,673	34,080	40,763	41,810
Net investment income	602,058	40,782	134,062	136,558	198,486
Benefit payments, including refunds of employee contributions	(66,778)	(64,417)	(64,397)	(53,016)	(46,972)
Administrative expense	(1,448)	(1,347)	(1,285)	(1,135)	(1,093)
Other	57	(49)	(85)	(124)	(179)
Net change in plan fiduciary net position	610,591	52,659	135,341	158,894	227,859
Total net pension position - beginning	2,179,516	2,126,857	1,991,516	1,832,622	1,604,763
Total net pension position - ending (b)	2,790,107	\$ 2,179,516	\$ 2,126,857	\$ 1,991,516	\$ 1,832,622
Town's net pension liability (surplus) - ending (a) - (b)	(407,973)	\$ (109,141)	\$ (272,433)	\$ (130,546)	\$ (162,884)
Plan fiduciary net position as a percentage of the total pension liability	117.13%	105.27%	114.69%	107.01%	109.76%
Covered-employee payroll	\$ 979,649	\$ 933,789	\$ 797,695	\$ 694,317	\$ 830,689
Town's net pension liability (surplus) as a percentage of covered-employee payroll (excess)	-41.64%	-11.69%	-34.15%	-18.80%	-19.61%

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

FYE June 30,	Contractual Required Contribution	Amount Contributed	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2022	\$ 35,249	\$ 35,249	\$ -	\$ 979,649	3.60%
2021	33,855	33,855	-	933,789	3.63%
2020	31,767	31,767	-	797,695	3.98%
2019	38,776	38,776	-	694,317	5.58%
2018	31,398	31,398	-	830,689	3.78%

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2021	\$ 2,488,443	\$ 2,594,320	\$ 105,877	95.92%	\$ 979,649	10.81%
2020	2,244,780	2,104,809	(139,971)	106.65%	933,789	-14.99%
2019	2,108,770	1,927,366	(181,404)	109.41%	797,695	-22.74%
2018	1,975,339	1,667,899	(307,440)	118.43%	694,317	-44.28%
2017	1,807,049	1,708,375	(98,674)	105.78%	830,689	-11.88%

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on liabilities as of the measurement date of June 30, 2021 are not material.

Changes of assumptions – The actuarial assumptions were update effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016 through June 30, 2022, except the change in discount rate, which was based on VRS board action effective as of July 1, 2019.

E. Post-Employment Benefits Other Than Pensions

Retirees who retire from the Town and are eligible to continue to participate in the Town’s health insurance plan. The health insurance benefit support from the Town for a retiree is as follows:

Years of Service	Hire Date	
	Prior to July 1, 2015	On or After July 1, 2015
Less than 15	None	None
15 to 20	50% Premium Cost	\$250/month
21 to 25	75% Premium Cost	\$400/month
More than 25	75% Premium Cost	\$500/month

The Town is self-funding this post retirement benefit and has set aside \$43,060 for this obligation. The Town paid \$1,925 in 2022 for retiree health insurance benefits.

F. Group Life Insurance

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program upon employment. The plan is administered by the Virginia Retirement System for public employer groups in the Commonwealth of Virginia. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit to employees. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. During the year ended June 30, 2022, the Town contributed \$11,820 towards life insurance. The VRS system’s actuary determined the total net OPEB liability, valued at June 30, 2021, and this amount was allocated to each employer of the plan. The Town’s portion of the net OPEB liability was \$52,742.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

G. Group Disability Insurance

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Disability Insurance Program upon employment. The plan is administered by the Virginia Retirement System for public employer groups in the Commonwealth of Virginia. The Group Disability Insurance Program is a defined benefit plan that provides a basic group disability insurance benefit to employees. The total rate for the Group Disability Insurance Program was based on covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. During the year ended June 30, 2022, the Town contributed \$859 towards disability insurance. The VRS system's actuary determined the total net OPEB liability, valued at June 30, 2021, and this amount was allocated to each employer of the plan. The Town's portion of the net OPEB liability was over funded by \$487.

H. Water Tower Lease Revenue

The Town has entered into agreements with three telecommunications companies allowing the companies to lease space on the Town's water tower. See below for a summary of lease terms:

<u>Company</u>	<u>Lease commencement</u>	<u>Lease Term</u>	<u>Renewal Option</u>	<u>Renewed</u>	<u>Monthly base rent</u>	<u>Annual Escalation</u>
AT&T	11/1/2018	4 years, 11 months	Yes	Yes	3551	3%
T-Mobile	4/28/2016	4 years, 11 months	Yes	Yes	4157	4%
Verizon	9/1/2018	4 years, 11 months	Yes	Yes	6451	3%

For the year ended June 30, 2022, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Town's June 30, 2022 financial statements and had an effect on the government wide governmental activities:

Net position adjustment	<u>Governmental Activities</u>
Adjustments:	
Lease Receivable	\$ 296,681
Deferred inflows	<u>(296,681)</u>
Net Position adjustment at June 30, 2022	<u>\$ -</u>

I. Subsequent Events

The Town of Round Hill has evaluated events and transactions subsequent to June 30, 2022 through February 6, 2023 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, 2022 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2022.

TOWN OF ROUND HILL, VIRGINIA

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues			
General Property Taxes			
Real and personal property taxes	\$ 144,760	\$ 164,605	\$ 19,845
Penalties and interest	-	2,811	2,811
Total General Property Taxes	<u>144,760</u>	<u>167,416</u>	<u>22,656</u>
Other Local Taxes			
Sales taxes	60,000	81,981	21,981
Consumer utility tax	11,200	15,072	3,872
Cigarette tax	29,000	24,429	(4,571)
Total Other Local Taxes	<u>100,200</u>	<u>121,482</u>	<u>21,282</u>
Permits, Fees and Licenses			
Zoning permits	300	6,183	5,883
Business licenses	13,450	21,661	8,211
Motor vehicle licenses	10,000	8,948	(1,052)
Total Permits, Fees, and Licenses	<u>23,750</u>	<u>36,792</u>	<u>13,042</u>
Revenues from Use of Money and Property			
Office rental income	11,124	11,221	97
Cell antenna revenue	158,074	168,229	10,155
Interest on bank deposits	-	1,101	1,101
Total Revenues from Use of Money and Property	<u>169,198</u>	<u>180,551</u>	<u>11,353</u>
Events/Sales/Other			
Town events	12,000	19,312	7,312
Other	-	15,074	15,074
Total Other Revenue	<u>12,000</u>	<u>34,386</u>	<u>22,386</u>
Intergovernmental			
Communication Tax	14,500	9,858	(4,642)
State grants	5,500	5,829	329
State aid - fire department	10,000	15,000	5,000
State aid - personal property	18,613	18,613	-
Loudoun County grant	4,000	-	(4,000)
Total Intergovernmental	<u>52,613</u>	<u>49,300</u>	<u>(3,313)</u>
Total General Fund Revenues	<u>502,521</u>	<u>589,927</u>	<u>87,406</u>
Other Financing Sources			
Transfers in	309,738	323,791	14,053
Capital contributions	-	-	-
Total Other Financing Sources	<u>309,738</u>	<u>323,791</u>	<u>14,053</u>
Total General Fund Revenues and Other Financing Sources	<u>\$ 812,259</u>	<u>\$ 913,718</u>	<u>\$ 101,459</u>

**TOWN OF ROUND HILL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Original & Final Budget	Actual	Variance Positive (Negative)
General Government			
Administration			
Full time staff	\$ 296,664	\$ 289,293	\$ 7,371
Part time staff	114,776	119,275	(4,499)
Advertising	2,400	3,023	(623)
Auditing and accounting	7,000	7,294	(294)
Subcontractors	10,500	7,756	2,744
Legal fees	33,000	33,750	(750)
Communication	4,932	5,061	(129)
Postage and box rental	1,000	868	132
Office supplies	3,300	3,393	(93)
Payroll taxes	31,131	30,535	596
Zoning	1,000	2,592	(1,592)
Worker's benefits	48,778	35,174	13,604
Printing	1,000	1,086	(86)
Retirement benefits	15,916	17,964	(2,048)
Office equipment and maintenance	7,934	12,514	(4,580)
Training - staff and officials	15,350	8,603	6,747
General office	3,125	12,091	(8,966)
Building and grounds			
Utilities	4,250	3,961	289
Security	2,400	2,260	140
Cleaning	4,635	4,684	(49)
Maintenance	2,500	3,024	(524)
Other expenses			
Town events	29,200	36,084	(6,884)
Grant funding	9,000	9,000	-
Liability and other insurance	13,420	14,092	(672)
Newsletter	1,500	1,429	71
Elections	2,000	1,300	700
Loudoun County collection fee	1,862	3,153	(1,291)
Miscellaneous	22,961	3,710	19,251
Contingency	15,000	13,307	1,693
Total General Government	<u>706,534</u>	<u>686,276</u>	<u>20,258</u>
Public Safety - Fire Department	<u>17,000</u>	<u>31,000</u>	<u>(14,000)</u>
Public Works			
Trash removal/recycling	61,034	62,811	(1,777)
Street lighting	7,800	6,770	1,030
Streets and sidewalks	6,012	11,927	(5,915)
Park maintenance and supplies	27,932	36,366	(8,434)
Total Public Works	<u>102,778</u>	<u>117,874</u>	<u>(15,096)</u>
Total General Fund Expenditures	<u>\$ 826,312</u>	<u>\$ 835,150</u>	<u>\$ (8,838)</u>

**TOWN OF ROUND HILL, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>General</u>	<u>Street</u>	
Assets			
Cash and cash equivalents	\$ (449,651)	\$ 44,013	\$ (405,638)
Virginia Investment Pool	372,119	400,000	772,119
Total Assets	<u>\$ (77,532)</u>	<u>\$ 444,013</u>	<u>\$ 366,481</u>
Liabilities			
Accounts payable	\$ 9,795	\$ -	\$ 9,795
Reserve for proffers	265,589	444,013	709,602
Public improvement escrow	36,664	-	36,664
Total Liabilities	<u>312,048</u>	<u>444,013</u>	<u>756,061</u>
Fund Balances			
Unassigned	(389,580)	-	(389,580)
Total Fund Balances	<u>(389,580)</u>	<u>-</u>	<u>(389,580)</u>
Total Liabilities and Fund Balances	<u>\$ (77,532)</u>	<u>\$ 444,013</u>	<u>\$ 366,481</u>

**TOWN OF ROUND HILL, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022**

	Capital Projects		Total Nonmajor Governmental Funds
	General	Street	
Revenues			
Interest earnings	\$ 2,050	\$ -	\$ 2,050
Loudoun County transportation proffers	-	178,174	178,174
Public improvement proffers	-	-	-
Total revenues	2,050	178,174	180,224
Expenditures			
Projects/improvements	290,094	-	290,094
Surplus/(deficit)	(288,044)	178,174	(109,870)
Other Financing Sources			
Transfers in/out	178,174	(178,174)	-
Capital contributions	-	-	-
Total other financing sources	178,174	(178,174)	-
Net change in fund balances	(109,870)	-	(109,870)
Fund balance - beginning	(279,710)	-	(279,710)
Fund balance - ending	\$ (389,580)	\$ -	\$ (389,580)

**TOWN OF ROUND HILL, VIRGINIA
GENERAL CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Prior Years Actual</u>	<u>Actual</u>	<u>Total Activity to date</u>	<u>Project Authorization</u>
Revenues				
Interest earnings/donations/other	\$ 1,387	\$ 2,050	\$ 3,437	\$ 23,762
Federal/state grants	-	-	-	1,356,188
Loudoun County grants	-	-	-	1,187,377
Public proffers	-	-	-	52,467
Fund balance reserves	-	-	-	293,854
Loudoun County transportation proffers	237,000	178,174	415,174	696,900
Public improvement proffers	271,511	-	271,511	-
Total revenues	<u>509,898</u>	<u>180,224</u>	<u>690,122</u>	<u>3,610,548</u>
Expenditures				
Projects:				
Main street	487,579	172,128	659,707	3,041,073
Sleeter lake park	18,539	45,199	63,738	246,080
Town office upgrades	31,253	1,716	32,969	129,600
Financial software upgrades	-	3,480	3,480	50,000
Website	-	4,583	4,583	15,300
BLA project	-	10,174	10,174	16,995
Park & trail improvements	22,593	52,814	75,407	111,500
Total expenditures	<u>559,964</u>	<u>290,094</u>	<u>850,058</u>	<u>3,610,548</u>
(Deficiency) of revenues (under) expenditures	<u>(50,066)</u>	<u>(109,870)</u>	<u>(159,936)</u>	<u>-</u>
Fund balances - beginning	<u>(229,644)</u>	<u>(279,710)</u>	<u>(509,354)</u>	
Fund balances - ending	<u>\$ (279,710)</u>	<u>\$ (389,580)</u>	<u>\$ (669,290)</u>	

**TOWN OF ROUND HILL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2022**

Assessed value of taxable real property	<u>\$ 111,202,080</u>
Debt limit (10% of assessed value)	11,120,208
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 11,120,208</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 2020 bond obligations.

Taxable assessed value is as of January 1, 2022 and excludes real property owned by public service corporations, other supplements and reduced for abatements and elderly relief.