

**TOWN OF ROUND HILL, VIRGINIA**

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED  
June 30, 2020**

**TOWN OF ROUND HILL, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2020**

**TABLE OF CONTENTS**

---

	<b>LIST OF COUNCIL AND PRINCIPAL OFFICIALS</b>	1
<hr/>		
<b>FINANCIAL SECTION</b>		
<hr/>		
	Independent Auditor’s Report	2-3
	Management’s Discussion and Analysis	4-10
<b>Basic Financial Statements</b>		
<b>Government-wide Financial Statements</b>		
Exhibit I	Statement of Net Position	11
Exhibit II	Statement of Activities	12
<b>Fund Financial Statements</b>		
<b>Government Funds</b>		
Exhibit III	Balance Sheet	13
Exhibit IV	Statements of Revenues, Expenditures, and Changes in Fund Balance	14
Exhibit V	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statements of Activities	15
Exhibit VI	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	16
<b>Proprietary Funds</b>		
Exhibit VII	Statement of Net Position	17
Exhibit VIII	Statement of Revenues, Expenditures and Changes in Fund Net Position	18
Exhibit IX	Statement of Cash Flows	19
	<b>Notes to the Financial Statements</b>	20 - 53
<b>Supplementary Information</b>		
<b>General Fund</b>		
Schedule 1	Schedule of Revenues and Other Financing Sources - Budget and Actual	54
Schedule 2	Schedule of Expenditures - Budget and Actual	55
<b>Non-major Governmental Funds</b>		
Schedule 3	Combining Balance Sheet	56
Schedule 4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	57
<b>General Capital Projects – Budget to Actual</b>		
Schedule 5	Schedule of Revenues, Expenditures, and Changes in Fund Balances	58
<b>Other Supplementary Schedule</b>		
Schedule 6	Computation of Legal Debt Margin	59

**TOWN OF ROUND HILL, VIRGINIA  
JUNE 30, 2020**

**MAYOR AND TOWN COUNCIL**

Scott T. Ramsey, Mayor

Mary Anne Graham, Vice Mayor

Donald Allen

Amy Evers

Melissa Hoffmann

Michael Hummel

Paula James

**OFFICIALS**

Melissa K. Hynes, Town & Zoning Administrator

Danni Gugger, Town Planner

Sue Holland, Treasurer

**LEGAL COUNSEL**

Maureen K. Gilmore

# MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA  
SANDRA M. TONDREAU, CPA  
W. MATTHEW BURNS, CPA

KARA J. DOYLE, CPA  
TONJI M. LEISS, CPA  
MEGAN R. JOLLON, CPA

110 EAST MARKET STREET | SUITE 200  
LEESBURG, VIRGINIA 20176  
P 703.777.4900 | F 703.771.3082  
WWW.MCOCPA.COM

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Round Hill, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Round Hill, Virginia, as of June 30, 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

January 4, 2021  
Leesburg, Virginia

*Mitchell & Co., P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Round Hill, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Round Hill, Virginia for the fiscal year ended June 30, 2020.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$25,268,925.
- The Town's total net position increased by \$512,395 before the prior period proffer reserve reclassification.
- As of the close of the current fiscal year, the Town of Round Hill's governmental funds reported combined ending fund balances of \$3,962,035, an increase of \$219,231 in comparison with the prior year. \$791,243 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$255,000 (5.25% percent) during the current fiscal year.

### Overview of the Financial Statements

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

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

The statement of net 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 20-53 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 54-59 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 \$25,268,925 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, 2020.

<b>TOWN OF ROUND HILL - NET POSITION</b>			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 2,434,911	\$ 6,604,113	\$ 9,039,024
Capital assets	3,056,412	20,065,417	23,121,829
Total Assets	5,491,323	26,669,530	32,160,853
Deferred Outflows of Resources	35,679	304,113	339,792
<b>Liabilities</b>			
Long-term liabilities	9,809	5,377,417	5,387,226
Other liabilities	1,498,162	191,472	1,689,634
Total Liabilities	1,507,971	5,568,889	7,076,860
Deferred Inflows of Resources	56,996	97,864	154,860
<b>Net Position</b>			
Net investment in capital assets	3,056,412	14,908,917	17,965,329
Restricted	-	-	-
Unrestricted	905,623	6,397,973	7,303,596
Total Net Position	\$ 3,962,035	\$ 21,306,890	\$ 25,268,925

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 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 \$512,395.

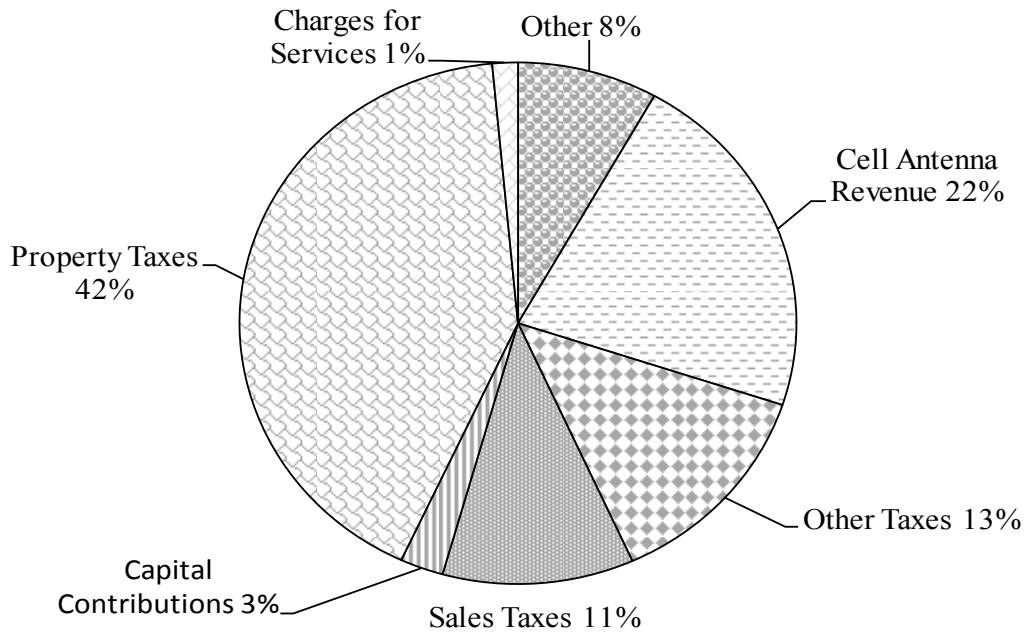
**Governmental activities.** Governmental activities increased the Town's net position by \$219,231. These changes are presented in column one of the following table:

<b>TOWN OF ROUND HILL - CHANGES IN NET POSITION</b>			
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 9,509	\$ 2,234,899	\$ 2,244,408
Operating grants and contributions	16,555	-	16,555
Capital grants and contributions	-	787,100	787,100
General Revenues			-
Property taxes	214,203	-	214,203
Other taxes and licenses	164,080	-	164,080
Cell antenna revenue	148,224	-	148,224
Other	54,930	40,616	95,546
Total Revenues	<u>607,501</u>	<u>3,062,615</u>	<u>3,670,116</u>
Expenses			
General government	613,922	-	613,922
Public safety	17,000	-	17,000
Public works	62,789	-	62,789
Capital projects	34,847	-	34,847
Water and Sewer	-	2,429,163	2,429,163
Total Expenses	<u>728,558</u>	<u>2,429,163</u>	<u>3,157,721</u>
Transfers	<u>340,288</u>	<u>(340,288)</u>	<u>-</u>
Increase in Net Position	219,231	293,164	512,395
Net Position - 07/01/19	<u>3,742,804</u>	<u>21,013,726</u>	<u>24,756,530</u>
Net Position - 06/30/20	<u>\$ 3,962,035</u>	<u>\$ 21,306,890</u>	<u>\$ 25,268,925</u>

The following chart presents a graphic representation of the Town’s governmental activities and the related revenue structure for fiscal year 2020.

---

**Revenues by Source – Governmental Activities**



---

**Business-type activities.** Business-type activities increased the Town’s net position by \$293,164. Key elements of this increase are as follows.

- Increased water and sewer revenue from a increase in the number of connections from prior year.
- Increased availability fees received due to increase in number of connections.

**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 \$791,243, an increase of \$29,304 in comparison with the prior year. Of this fund balance amount, \$791,243 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 \$1,020,887. 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 \$1,020,887 is about 141% of the total general fund expenditures of \$724,628.

The fund balance of the Town of Round Hill, Virginia's general fund increased by \$194,134 during the current fiscal year. The key factors in this increase was the transfer from water and sewer fund.

**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 \$21,306,890. The total increase in net position for proprietary funds was \$293,164. 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, 2020, amounts to \$23,121,829 (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, 2020.

<b>TOWN OF ROUND HILL - CAPITAL ASSETS</b>			
(Net of accumulated depreciation)			
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,445,067	\$ 541,464	\$ 1,986,531
Buildings and improvements	177,067	3,085,880	3,262,947
Parks and improvements	676,910	-	676,910
Utility distribution systems	-	15,945,654	15,945,654
Furniture and fixtures	-	-	-
Machinery and equipment	11,101	492,419	503,520
Sidewalk improvements	746,267	-	746,267
<b>Total</b>	<b>\$ 3,056,412</b>	<b>\$ 20,065,417</b>	<b>\$ 23,121,829</b>

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 \$5,140,000. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

Additional information on the Town of Round Hill's long-term debt can be found in note III. E on pages 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, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,068,672	\$ 3,113,374	\$ 4,182,046
Virginia Investment Pool	1,181,350	2,897,208	4,078,558
Receivables (net, where applicable, of allowance for uncollectible)			
Property taxes, including penalties	60,711	-	60,711
Utility taxes	1,225	-	1,225
Accounts	-	403,799	403,799
Tower rental	80	-	80
Due from other governments	22,604	-	22,604
Restricted assets, cash on deposit			
Customer deposits	-	17,567	17,567
Overfunded pension asset	100,269	172,165	272,434
Capital assets (net of accumulated depreciation)			
Land	1,445,067	541,464	1,986,531
Buildings and improvements	177,067	3,085,880	3,262,947
Parks and improvements	676,910	-	676,910
Utility distribution systems	-	15,945,654	15,945,654
Furniture and fixtures	-	-	-
Machinery and equipment	11,101	492,419	503,520
Streets, sidewalk and improvements	746,267	-	746,267
<b>Total assets</b>	<b>5,491,323</b>	<b>26,669,530</b>	<b>32,160,853</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunded debt	-	242,849	242,849
Deferred pension obligation	35,679	61,264	96,943
<b>Total deferred outflows</b>	<b>35,679</b>	<b>304,113</b>	<b>339,792</b>
<b>Liabilities</b>			
Accounts payable and other liabilities	54,376	173,905	228,281
Public Improvement Escrow	36,664	-	36,664
Liabilities payable from restricted assets	-	17,567	17,567
Reserve for proffers	1,377,024	-	1,377,024
Noncurrent liabilities:			
Due within one year	30,098	270,000	300,098
Due in more than one year	9,809	5,107,417	5,117,226
<b>Total liabilities</b>	<b>1,507,971</b>	<b>5,568,889</b>	<b>7,076,860</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension inflow	56,996	97,864	154,860
<b>Net Position</b>			
Net investment in capital assets	3,056,412	14,908,917	17,965,329
Restricted	-	-	-
Unrestricted	905,623	6,397,973	7,303,596
<b>Total net position</b>	<b>\$ 3,962,035</b>	<b>\$ 21,306,890</b>	<b>\$ 25,268,925</b>

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



**TOWN OF ROUND HILL, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 627,236	\$ 441,436	\$ 1,068,672
Virginia Investment Pool	412,668	768,682	1,181,350
Receivables			
Property taxes	60,711	-	60,711
Utility taxes	1,225	-	1,225
Tower rental	80	-	80
Due from other governments	22,604	-	22,604
<b>Total assets</b>	<b>\$ 1,124,524</b>	<b>\$ 1,210,118</b>	<b>\$ 2,334,642</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable and other liabilities	\$ 28,303	\$ 26,074	\$ 54,377
Public improvements escrow funds	-	36,664	36,664
Compensated absences	30,098	-	30,098
Post retirement benefits	9,809	-	9,809
Reserve for proffers	-	1,377,024	1,377,024
<b>Total liabilities</b>	<b>68,210</b>	<b>1,439,762</b>	<b>1,507,972</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	35,427	-	35,427
Fund balances			
Unassigned, reported in General Fund	1,020,887	(229,644)	791,243
Restricted	-	-	-
<b>Total fund balances</b>	<b>1,020,887</b>	<b>(229,644)</b>	<b>791,243</b>
<b>Total liabilities and fund balances</b>			
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.	3,056,412	-	3,056,412
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	35,427	-	35,427
Pension obligation reporting	78,953	-	78,953
Net position of governmental activities	<b>\$ 4,191,679</b>	<b>\$ (229,644)</b>	<b>\$ 3,962,035</b>

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, 2020**

	<b>General Fund</b>	<b>Capital Project Funds</b>	<b>Total Governmental</b>
<b>Revenues</b>			
General property taxes	\$ 200,259	\$ -	\$ 200,259
Other local taxes	116,777	-	116,777
Permits, licenses, and fees	38,656	-	38,656
Revenues from use of money and property	169,458	15,083	184,541
Events/Sales/Other	6,584	-	6,584
Intergovernmental	46,740	-	46,740
<b>Total revenues</b>	<b>578,474</b>	<b>15,083</b>	<b>593,557</b>
<b>Expenditures</b>			
General government	644,839	-	644,839
Public safety	17,000	-	17,000
Public works	62,789	-	62,789
Capital projects/improvements	-	179,913	179,913
<b>Total expenditures</b>	<b>724,628</b>	<b>179,913</b>	<b>904,541</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(146,154)</b>	<b>(164,830)</b>	<b>(310,984)</b>
<b>Other Financing Sources</b>			
Transfers in	340,288	-	340,288
Capital contributions	-	-	-
<b>Total other financing sources</b>	<b>340,288</b>	<b>-</b>	<b>340,288</b>
<b>Net change in fund balances</b>	<b>194,134</b>	<b>(164,830)</b>	<b>29,304</b>
<b>Proffer reclassification</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - beginning</b>	<b>826,753</b>	<b>(64,814)</b>	<b>761,939</b>
<b>Fund balance - ending</b>	<b>\$ 1,020,887</b>	<b>\$ (229,644)</b>	<b>\$ 791,243</b>

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, 2020**

---

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

Net change in fund balances - total governmental funds	\$	29,304
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.		176,029
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.		(30,963)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		13,944
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>30,917</u>
Change in net position of governmental activities	<u>\$</u>	<u>219,231</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, 2020**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
General property taxes	\$ 189,867	\$ 200,259	\$ 10,392
Other local taxes	100,200	116,777	16,577
Permits, fees, and licenses	25,750	38,656	12,906
Revenues from use of money and property	159,800	169,458	9,658
Events/Sales/Other	11,500	6,584	(4,916)
Intergovernmental	48,613	46,740	(1,873)
<b>Total revenues</b>	<u>535,730</u>	<u>578,474</u>	<u>42,744</u>
<b>Expenditures</b>			
General government administration	665,077	644,839	20,238
Public safety	17,000	17,000	-
Public works	64,000	62,789	1,211
<b>Total expenditures</b>	<u>746,077</u>	<u>724,628</u>	<u>21,449</u>
<b>(Deficiency) of revenues (under) expenditures</b>	<u>(210,347)</u>	<u>(146,154)</u>	<u>64,193</u>
<b>Other Financing Sources</b>			
Transfers in	256,774	340,288	83,514
Capital contributions	-	-	-
<b>Total other financing sources</b>	<u>256,774</u>	<u>340,288</u>	<u>83,514</u>
<b>Net change in fund balances</b>	46,427	194,134	147,707
<b>Proffer reclassification</b>	-	-	-
<b>Fund balances - beginning</b>	<u>826,753</u>	<u>826,753</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 873,180</u>	<u>\$ 1,020,887</u>	<u>\$ 147,707</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, 2020**

	<b>Business-Type Activities</b>	
	<b>Water And Sewer Current Year</b>	<b>Memorandum Only Water And Sewer Prior Year</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,113,374	\$ 2,838,807
Virginia Investment Pool	2,897,208	2,856,591
Accounts receivable	403,799	355,524
Total current assets	<u>6,414,381</u>	<u>6,050,922</u>
Noncurrent assets		
Restricted assets, cash on deposit		
Bond escrow funds	-	-
Customer deposits	17,567	16,273
Total restricted assets	<u>17,567</u>	<u>16,273</u>
Overfunded pension asset	172,165	83,366
Capital assets		
Land, buildings, and structures	6,322,606	6,314,476
Utility distribution systems	21,326,512	21,183,418
Equipment	1,752,684	1,603,347
Less accumulated depreciation	(9,336,385)	(8,670,425)
Total capital assets (net of accumulated depreciation)	<u>20,065,417</u>	<u>20,430,816</u>
Total noncurrent assets	<u>20,255,149</u>	<u>20,530,455</u>
<b>Total assets</b>	<u>26,669,530</u>	<u>26,581,377</u>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunded debt	242,849	262,673
Deferred pension obligation	61,264	51,268
<b>Total deferred outflows</b>	<u>304,113</u>	<u>313,941</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and other liabilities	173,905	229,215
General obligation bonds - current	270,000	255,000
Total current liabilities	<u>443,905</u>	<u>484,215</u>
Current liabilities payable from restricted assets		
Customer deposits payable	17,567	16,273
Total current liabilities payable from restricted assets	<u>17,567</u>	<u>16,273</u>
Noncurrent liabilities		
Compensated absences	95,597	71,555
Post retirement benefits	33,250	33,250
Premium on bonds	92,070	99,152
Notes payable	16,500	16,500
General obligation bonds payable	4,870,000	5,140,000
Total noncurrent liabilities	<u>5,107,417</u>	<u>5,360,457</u>
<b>Total liabilities</b>	<u>5,568,889</u>	<u>5,860,945</u>
<b>Deferred Inflows of Resources</b>		
Deferred pension inflow	97,864	20,647
<b>Net Position</b>		
Net investment in capital assets	14,908,917	15,019,316
Unrestricted	6,397,973	5,994,410
<b>Total net position</b>	<u>\$ 21,306,890</u>	<u>\$ 21,013,726</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, 2020**

	Business-Type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
<b>Operating revenues:</b>		
Charges for services	\$ 2,164,356	\$ 2,009,653
Connection fees	60,950	121,900
Meter fees and miscellaneous revenue	9,593	9,005
<b>Total operating revenues</b>	<u>2,234,899</u>	<u>2,140,558</u>
<b>Operating expenses:</b>		
Personal services	648,188	487,560
Fringe benefits	160,567	152,477
Depreciation	665,960	659,819
Office expense	32,250	28,684
Truck expense	24,382	10,070
Engineering support	40,582	30,007
Supplies	149,263	168,016
Repairs and maintenance	198,709	221,908
Insurance	31,034	30,569
Utilities	135,546	131,925
Telephone	4,830	5,739
Licenses and permits	7,199	7,192
Miscellaneous	12,091	21,566
Sludge removal	16,738	15,593
Safety	7,438	5,950
Professional fees	43,571	53,699
<b>Total operating expenses</b>	<u>2,178,348</u>	<u>2,030,774</u>
<b>Operating Income</b>	<u>56,551</u>	<u>109,784</u>
<b>Nonoperating revenues (expenses):</b>		
Investment earnings	40,616	58,494
Interest and financing expenses	(230,991)	(243,370)
Accounting charge on refinance	(19,824)	(19,824)
Gain on sale of capital assets	-	-
FEMA reimbursement	-	-
<b>Total nonoperating (expenses)</b>	<u>(210,199)</u>	<u>(204,700)</u>
<b>Surplus (loss) before contributions and transfers</b>	<u>(153,648)</u>	<u>(94,916)</u>
<b>Transfers and capital contributions</b>		
Availability fees	787,100	1,615,527
Capital contributions	-	-
Transfers (out)	(340,288)	(208,822)
<b>Total transfers and capital contributions</b>	<u>446,812</u>	<u>1,406,705</u>
<b>Change in net position</b>	293,164	1,311,789
<b>Total net position - beginning of year</b>	<u>21,013,726</u>	<u>19,701,937</u>
<b>Total net position - end of year</b>	<u>\$ 21,306,890</u>	<u>\$ 21,013,726</u>

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, 2020**

	<u>Water and Sewer</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 2,186,624
Payments to suppliers	(779,227)
Payments to employees	(784,713)
Net cash provided by operating activities	<u>622,684</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers to other funds	(340,288)
Net cash (used in) noncapital and related financing activities	<u>(340,288)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Availability fees	787,100
Acquisition and construction of capital assets	(300,561)
Principal paid on capital debt	(255,000)
Interest and fees paid on capital debt	(238,074)
Net cash used in capital and related financing activities	<u>(6,535)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(40,616)
Interest and dividends received	40,616
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	275,861
Cash and cash equivalents July 1, 2019	<u>2,855,080</u>
Cash and cash equivalents June 30, 2020	<u>\$ 3,130,941</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income	\$ 56,551
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	665,960
Decrease in accounts receivable	(48,275)
Decrease in pension asset	(98,795)
Increase in accounts payable	(55,310)
Increase in customer deposits	1,294
Increase in compensated absences	24,042
(Decrease) in deferred pension	77,217
Total adjustments	<u>566,133</u>
Net cash provided by operating activities	<u>\$ 622,684</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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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 Town bills and collects its own personal property taxes based on the assessed values provided by the County. The County bills and collects 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 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 \$230,991.

No interest expense was included as part of the cost of capital assets under construction in connection with water and sewer construction projects for FY20.

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

<u>Types of Assets</u>	<u>Years</u>
Buildings	39-50
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 \$1,377,024. 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, 2020, the general fund appropriations did not exceed expenditures.

#### 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 \$4,199,612 and the bank balance was \$4,252,314.

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, 2020, 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)	\$ 4,078,558	\$ 4,078,558

*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, 2020.

**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	\$ 60,711	\$ -	\$ 60,711
Accounts	-	403,799	403,799
Intergovernmental	22,604	-	22,604
Utility taxes	1,225	-	1,225
Tower rental	80	-	80
Net total receivables	\$ 84,620	\$ 403,799	\$ 488,419

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 \$35,427 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, 2020 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia - Fire Department, Communication Tax	\$ 9,984
Loudoun County - Sales Tax	12,620
Loudoun County - Road Improvements	-
	<u>\$ 22,604</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
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	315,568	97,996	-	413,564
Parks and improvements	723,544	32,396	-	755,940
Furniture and fixtures	22,938	-	-	22,938
Equipment	91,509	7,500	-	99,009
Streets, sidewalks and improvements	792,521	38,137	-	830,658
Total capital assets being depreciated	<u>1,946,080</u>	<u>176,029</u>	<u>-</u>	<u>2,122,109</u>
Less accumulated depreciation for:				
Buildings and improvements	(227,297)	(9,200)	-	(236,497)
Parks and improvements	(68,107)	(10,923)	-	(79,030)
Furniture and fixtures	(22,938)	-	-	(22,938)
Equipment	(83,924)	(3,984)	-	(87,908)
Sidewalk improvements	(77,535)	(6,856)	-	(84,391)
Total accumulated depreciation	<u>(479,801)</u>	<u>(30,963)</u>	<u>-</u>	<u>(510,764)</u>
Net capital assets being depreciated	<u>1,466,279</u>	<u>145,066</u>	<u>-</u>	<u>1,611,345</u>
Governmental activities capital assets, net	<u>\$ 2,911,346</u>	<u>\$ 145,066</u>	<u>\$ -</u>	<u>\$ 3,056,412</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
<b>Business-type activities:</b>				
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	5,773,012	8,130	-	5,781,142
Utility distribution systems	21,183,418	143,094	-	21,326,512
Equipment	1,603,347	149,337	-	1,752,684
Total capital assets being depreciated	<u>28,559,777</u>	<u>300,561</u>	<u>-</u>	<u>28,860,338</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,539,085)	(156,177)	-	(2,695,262)
Utility distribution systems	(4,966,319)	(414,539)	-	(5,380,858)
Equipment	(1,165,021)	(95,244)	-	(1,260,265)
Total accumulated depreciation	<u>(8,670,425)</u>	<u>(665,960)</u>	<u>-</u>	<u>(9,336,385)</u>
Net capital assets being depreciated	<u>19,889,352</u>	<u>(365,399)</u>	<u>-</u>	<u>19,523,953</u>
Business-type activities capital assets, net	<u>\$ 20,430,816</u>	<u>\$ (365,399)</u>	<u>\$ -</u>	<u>\$ 20,065,417</u>

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 28,216
Public works	2,747
Total depreciation expense - governmental activities	<u>\$ 30,963</u>
Business-Type Activities:	
Water and sewer	<u>\$ 665,960</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, 2020 are as follows:

Description	Amount
\$6,905,000 Virginia Resources Authority general obligation refunding bond, series 2009, 25 year bond dated June 17, 2009, at a varying interest rate of 1.125% to 5.030%, due in 25 annual principal installments starting October 1, 2009	<u>\$ 5,140,000</u>

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

Year ending June 30,	Business-type Activities	
	Principal	Interest
2021	270,000	228,450
2022	285,000	216,278
2023	290,000	204,669
2024	305,000	191,322
2025	325,000	176,103
2026 - 2030	1,860,000	637,269
2031 - 2034	1,805,000	173,950
Total	<u>\$ 5,140,000</u>	<u>\$ 1,828,041</u>

*Note Payable.* The Town had the following note outstanding at June 30, 2020:

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

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**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, 2020 was as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 19,619	\$ 10,478	\$ -	\$ 30,097	\$ 30,097
Post retirement benefits	9,809	-	-	9,809	-
Governmental long-term liabilities	<u>\$ 29,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,906</u>	<u>\$ 30,097</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 5,395,000	\$ -	\$ (255,000)	\$ 5,140,000	\$ 270,000
Note payable	16,500	-	-	16,500	-
Compensated absences	71,555	-	24,042	95,597	-
Premiums on bonds	99,152	-	(7,082)	92,070	-
Post retirement benefits	33,250	-	-	33,250	-
Business-type long-term liabilities	<u>\$ 5,615,457</u>	<u>\$ -</u>	<u>\$ (238,040)</u>	<u>\$ 5,377,417</u>	<u>\$ 270,000</u>

**Advance Refundings**

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

**E. Restricted Net Position**

The balances of the restricted asset accounts are as follows:

Description	Amount
Utility fund customer deposits	<u>\$ 17,567</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	\$ 340,288	\$ -
Utility Fund	-	340,288
	<u>\$ 340,288</u>	<u>\$ 340,288</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. The lease agreement began November 1, 2017 for two years. Future minimum rental income is as follows: 2021: \$11,124; 2022: \$3,708. In 2020 monthly rental income was \$11,016.

**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 2020 the Town paid premiums of approximately \$11,034 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 2020, the Town paid contributions of approximately \$30,047 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**

**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 set out in the table below:

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Retirement Plan Provisions</b>		
<b>Plan 1</b>	<b>Plan 2</b>	<b>Plan 3</b>
<p><b>About Plan 1</b>                      Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.                      Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b>                      Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.                      Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b>                      The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Town employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b></p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Town employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
---	--	--

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Retirement Contributions</b>          Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some Towns elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>          Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some Towns elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>          A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b>          Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b>          Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>          Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u>          Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Vesting</b>  Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component:</b></u>  Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
---	--	--



**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>                  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>                  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b><u>Defined Benefit Component:</u></b>                  Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>                  Not applicable.</p> <p><b><u>Eligibility:</u></b>                  Same as Plan 1 and Plan 2.</p>
---	---	---

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

<b><u>Exceptions to COLA Effective</u></b>	<b><u>Exceptions to COLA Effective</u></b>	<b><u>Exceptions to COLA Effective</u></b>
<p><b><u>Dates:</u></b>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b><u>Dates:</u></b>                      Same as Plan 1</p>	<p><b><u>Dates:</u></b>                      Same as Plan 1 and Plan 2.</p>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of Towns (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2018 Number
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested inactive members	5
Non-vested inactive members	1
Inactive members active elsewhere in VRS	6
Total inactive members	12
Active members	10
Total covered employees	31

**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, 2020 was 3.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$31,767 and \$38,776 for the years ended June 30, 2020 and June 30, 2019, respectively.

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Net Pension Liability**

The Town's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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.

**Mortality Rates:**

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of Deaths are assumed to be Service Related

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

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

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

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



**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Defined Benefit Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	69.00%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic normal return	7.30%

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

**Discount Rate**

The discount rate used to measure the total pension liability was 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, 2020, 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, 2020 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2018 (surplus)	\$ 1,860,970	\$ 1,991,516	\$ (130,546)
Changes for the year:			
Service cost	76,278	-	76,278
Interest	128,014	-	128,014
Changes of assumptions	60,145	-	60,145
Differences between expected and actual experience	(206,586)	-	(206,586)
Contributions - employer	-	32,966	(32,966)
Contributions - employee	-	34,080	(34,080)
Net investment income	-	134,062	(134,062)
Benefit payments, including refunds of employee contributions	(64,397)	(64,397)	-
Administrative expenses	-	(1,285)	1,285
Other changes	-	(85)	85
Net changes	<u>(6,546)</u>	<u>135,341</u>	<u>(141,887)</u>
Balances at June 30, 2019 (surplus)	<u>\$ 1,854,424</u>	<u>\$ 2,126,857</u>	<u>\$ (272,433)</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:

	<u>(5.75%)</u>	<u>Rate (6.75%)</u>	<u>(7.75%)</u>
Town's Net Pension Liability (Surplus)	<u>\$ (8,188)</u>	<u>\$ (272,433)</u>	<u>\$ (483,715)</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, 2020, the Town recognized pension expense of \$4,804. At June 30, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19,433	\$ 134,100
Change in assumptions	39,041	2,553
Net difference between projected and actual earnings on pension plan investments	-	18,207
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 58,474</u>	<u>\$ 154,860</u>

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amortization</u>
2021	(40,895)
2022	(56,146)
2023	(422)
2024	1,077

**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**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>					
Service cost	\$ 76,278	\$ 87,881	\$ 80,488	\$ 74,729	\$ 58,661
Interest	128,014	115,023	105,729	94,563	83,774
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(206,586)	41,384	33,953	26,419	36,883
Changes in assumptions	60,145	-	(37,365)	-	-
Benefit payments, including refunds of employee contributions	(64,397)	(53,016)	(46,972)	(25,398)	(25,002)
<b>Net change in total pension liability</b>	<b>(6,546)</b>	<b>191,272</b>	<b>135,833</b>	<b>170,313</b>	<b>154,316</b>
<b>Total pension liability - beginning</b>	<b>1,860,970</b>	<b>1,669,698</b>	<b>1,533,905</b>	<b>1,363,592</b>	<b>1,209,276</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,854,424</b>	<b>\$ 1,860,970</b>	<b>\$ 1,669,738</b>	<b>\$ 1,533,905</b>	<b>\$ 1,363,592</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 32,966	\$ 35,848	\$ 35,807	\$ 39,050	\$ 35,901
Contributions - employee	34,080	40,763	41,810	39,286	36,118
Net investment income	134,062	136,558	198,486	28,394	66,255
Benefit payments, including refunds of employee contributions	(64,397)	(53,016)	(46,972)	(25,398)	(25,002)
Administrative expense	(1,285)	(1,135)	(1,093)	(908)	(846)
Other	(85)	(124)	(179)	(12)	(15)
<b>Net change in plan fiduciary net position</b>	<b>135,341</b>	<b>158,894</b>	<b>227,859</b>	<b>80,412</b>	<b>112,411</b>
<b>Total net pension position - beginning</b>	<b>1,991,516</b>	<b>1,832,622</b>	<b>1,604,763</b>	<b>1,524,351</b>	<b>1,411,940</b>
<b>Total net pension position - ending (b)</b>	<b>\$ 2,126,857</b>	<b>\$ 1,991,516</b>	<b>\$ 1,832,622</b>	<b>\$ 1,604,763</b>	<b>\$ 1,524,351</b>
<b>Town's net pension liability (surplus) - ending (a) - (b)</b>	<b>\$ (272,433)</b>	<b>\$ (130,546)</b>	<b>\$ (162,884)</b>	<b>\$ (70,858)</b>	<b>\$ (160,759)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>114.69%</b>	<b>107.01%</b>	<b>109.76%</b>	<b>104.62%</b>	<b>111.79%</b>
<b>Covered-employee payroll</b>	<b>\$ 797,695</b>	<b>\$ 694,317</b>	<b>\$ 830,689</b>	<b>\$ 786,706</b>	<b>\$ 737,152</b>
<b>Town's net pension liability (surplus), as a percentage of covered-employee payroll (excess)</b>	<b>-34.15%</b>	<b>-18.80%</b>	<b>-19.61%</b>	<b>-9.01%</b>	<b>-21.81%</b>

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
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%
2017	41,287	41,287	-	786,706	5.25%
2016	33,491	33,491	-	737,152	4.54%

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)
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%
2016	1,636,510	1,565,637	(70,873)	104.53%	786,706	-9.01%
2015	1,478,266	1,388,283	(89,983)	106.48%	737,152	-12.21%

**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, 2019 are not material.

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

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

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

**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 \$1,777 in 2020 for retiree health insurance benefits.

**TOWN OF ROUND HILL, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**IV. OTHER INFORMATION (CONTINUED)**

**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, 2017. During the year ended June 30, 2020, the Town contributed \$11,187 towards life insurance. The VRS system's actuary determined the total net OPEB liability, valued at June 30, 2019, and this amount was allocated to each employer of the plan. The Town's portion of the net OPEB liability was \$58,000.

**G. Subsequent Events**

The Town of Round Hill has evaluated events and transactions subsequent to June 30, 2020 through January 4, 2021 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, 2020 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2020.

## TOWN OF ROUND HILL, VIRGINIA

## GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Sources of Revenues</b>			
<b>General Property Taxes</b>			
Real and personal property taxes	\$ 189,867	\$ 200,091	\$ 10,224
Penalties and interest	-	168	168
Total General Property Taxes	189,867	200,259	10,392
<b>Other Local Taxes</b>			
Sales taxes	60,000	75,117	15,117
Consumer utility tax	11,200	13,403	2,203
Cigarette tax	29,000	28,257	(743)
Total Other Local Taxes	100,200	116,777	16,577
<b>Permits, Fees and Licenses</b>			
Zoning permits	300	2,925	2,625
Business licenses	15,450	19,320	3,870
Motor vehicle licenses	10,000	16,411	6,411
Total Permits, Fees, and Licenses	25,750	38,656	12,906
<b>Revenues from Use of Money and Property</b>			
Office rental income	10,800	11,016	216
Cell antenna revenue	149,000	148,224	(776)
Interest on bank deposits	-	10,218	10,218
Total Revenues from Use of Money and Property	159,800	169,458	9,658
<b>Events/Sales/Other</b>			
Town events	10,500	38	(10,462)
Other	1,000	6,546	5,546
Total Other Revenue	11,500	6,584	(4,916)
<b>Intergovernmental</b>			
Communication Tax	14,500	11,572	(2,928)
State grants	5,500	6,555	1,055
State aid - fire department	10,000	10,000	-
State aid - personal property	18,613	18,613	-
Loudoun County grant	-	-	-
Total Intergovernmental	48,613	46,740	(1,873)
Total General Fund Revenues	535,730	578,474	42,744
<b>Other Financing Sources</b>			
Transfers in	256,774	340,288	83,514
Capital contributions	-	-	-
Total Other Financing Sources	256,774	340,288	83,514
<b>Total General Fund Revenues and Other Financing Sources</b>	<b>\$ 792,504</b>	<b>\$ 918,762</b>	<b>\$ 126,258</b>



**TOWN OF ROUND HILL, VIRGINIA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Original & Final Budget	Actual	Variance Positive (Negative)
<b>General Government</b>			
Administration			
Full time staff	\$ 251,557	\$ 250,137	\$ 1,420
Part time staff	121,802	96,708	25,094
Advertising	5,000	2,987	2,013
Auditing and accounting	5,000	4,950	50
Subcontractors	9,000	7,646	1,354
Legal fees	32,000	30,238	1,762
Communication	4,570	4,514	56
Postage and box rental	2,000	1,987	13
Office supplies	6,700	6,165	535
Payroll taxes	8,656	24,812	(16,156)
Worker's benefits	40,368	54,550	(14,182)
Printing	500	248	252
Retirement benefits	13,679	15,936	(2,257)
Office equipment and maintenance	22,670	19,438	3,232
Training - staff and officials	9,450	5,614	3,836
General office	15,900	4,466	11,434
Building and grounds			
Utilities	6,620	4,473	2,147
Cleaning	4,500	4,783	(283)
Maintenance	39,970	59,083	(19,113)
Other expenses			
Town events	21,400	10,939	10,461
Grant funding	9,000	9,000	-
Liability and other insurance	13,500	12,937	563
Newsletter	1,485	887	598
Elections	2,000	3,154	(1,154)
Zoning/Comprehensive plan amendments	13,500	6,052	7,448
Miscellaneous	4,250	3,135	1,115
Total General Government	<u>665,077</u>	<u>644,839</u>	<u>20,238</u>
<b>Public Safety - Fire Department</b>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
<b>Public Works</b>			
Trash removal/recycling	55,000	51,434	3,566
Street lighting	9,000	11,355	(2,355)
Streets and Sidewalks			
Park maintenance and supplies	-	-	-
Total Public Works	<u>64,000</u>	<u>62,789</u>	<u>1,211</u>
<b>Total General Fund Expenditures</b>	<u>\$ 746,077</u>	<u>\$ 724,628</u>	<u>\$ 21,449</u>

**TOWN OF ROUND HILL, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>Capital Projects</u>		<b>Total Nonmajor Governmental Funds</b>
	<b>General</b>	<b>Street</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ (17,752)	\$ 459,188	\$ 441,436
Virginia Investment Pool	368,682	400,000	768,682
<b>Total Assets</b>	<b>\$ 350,930</b>	<b>\$ 859,188</b>	<b>\$ 1,210,118</b>
<b>Liabilities</b>			
Accounts payable	\$ 26,074	\$ -	\$ 26,074
Reserve for proffers	517,836	859,188	1,377,024
Public improvement escrow	36,664	-	36,664
<b>Total Liabilities</b>	<b>580,574</b>	<b>859,188</b>	<b>1,439,762</b>
<b>Fund Balances</b>			
Unassigned	(229,644)	-	(229,644)
<b>Total Fund Balances</b>	<b>(229,644)</b>	<b>-</b>	<b>(229,644)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 350,930</b>	<b>\$ 859,188</b>	<b>\$ 1,210,118</b>

**TOWN OF ROUND HILL, VIRGINIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>General</u>	<u>Street</u>	
<b>Revenues</b>			
Interest Earnings	\$ 15,083	\$ -	\$ 15,083
<b>Total revenues</b>	<u>15,083</u>	<u>-</u>	<u>15,083</u>
<b>Expenditures</b>			
Projects/improvements	179,913	-	179,913
<b>(Deficit)</b>	<u>(164,830)</u>	<u>-</u>	<u>(164,830)</u>
<b>Other Financing Sources</b>			
Transfers in	-	-	-
Capital contributions	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(164,830)	-	(164,830)
<b>Proffer reclassification</b>	-	-	-
<b>Fund balance - beginning</b>	<u>(64,814)</u>	<u>-</u>	<u>(64,814)</u>
<b>Fund balance - ending</b>	<u>\$ (229,644)</u>	<u>\$ -</u>	<u>\$ (229,644)</u>

**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, 2020**

	<b>Non-GAAP Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Interest earnings	\$ -	\$ 15,083	\$ 15,083
VDOT Grant	1,356,188	-	(1,356,188)
Loudoun County grants:			
Public improvement	665,377	-	(665,377)
Transportation	668,925	-	(668,925)
Public fees and contributions	15,762	-	(15,762)
General fund reserves	247,205	-	(247,205)
<b>Total revenues</b>	<u>2,953,457</u>	<u>15,083</u>	<u>15,083</u>
<b>Expenditures</b>			
Projects			
Main street	2,550,614	32,884	2,517,730
Sleeter lake park	246,080	17,736	228,344
Town office upgrades	90,000	97,996	(7,996)
Website	25,000	9,500	15,500
BLA project	16,995	55	16,940
Streets and sidewalks	4,768	7,082	(2,314)
Other/Park improvements	20,000	14,660	5,340
<b>Total expenditures</b>	<u>2,953,457</u>	<u>179,913</u>	<u>2,773,544</u>
<b>(Deficiency) of revenues (under) expenditures</b>	<u>-</u>	<u>(164,830)</u>	<u>2,788,627</u>
<b>Proffer reclassification</b>	-	-	-
<b>Fund balances - beginning</b>	<u>(64,814)</u>	<u>(64,814)</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ (64,814)</u>	<u>\$ (229,644)</u>	<u>\$ 2,788,627</u>

**TOWN OF ROUND HILL, VIRGINIA  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2020**

---

Assessed value of taxable real property	<u>\$ 109,165,430</u>
Debt limit (10% of assessed value)	10,916,543
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 10,916,543</u>

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

Taxable assessed value is as of January 1, 2020 and excludes real property owned by public service corporations, other supplements and reduced for abatements and elderly relief.