

TOWN OF ROUND HILL, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
June 30, 2021**

**TOWN OF ROUND HILL, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2021**

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**TOWN OF ROUND HILL, VIRGINIA
JUNE 30, 2021**

MAYOR AND TOWN COUNCIL

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

Jesse Howe
Paula James

Melissa Hoffmann
Michael B. Hummel

OFFICIALS

Melissa K. Hynes, Town & Zoning Administrator
Danni Albright, Town Planner
Sue Holland, Treasurer

LEGAL COUNSEL

Maureen K. Gilmore

MITCHELL, BURNS & Co., P.C.
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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, 2021, 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, 2021, 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.

February 16, 2022
Leesburg, Virginia

Mitchell, Burns & 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, 2021.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$25,596,589.
- The Town's total net position increased by \$327,664 after accounting adjustments for the refinance of the 2009 bond debt
- As of the close of the current fiscal year, the Town of Round Hill's governmental funds reported combined ending fund balances of \$5,050,938, an increase of \$1,088,903 in comparison with the prior year. \$1,468,616 is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$1,175,000 during the current fiscal year due to debt service principal payments of \$275,000 and a \$900,000 bond debt reduction due to favorable refinancing terms.

Overview of the Financial Statements

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town adopts an annual appropriated budget for its general fund capital projects fund and adopts a nonbinding budget for its water sewer fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget related to basic general government activities.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

Supplementary Information. A detailed schedule of general fund revenue and expenditures along with additional supplementary information are presented immediately following the notes to the financial statements. This supplementary information can be found on pages 43-48 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Round Hill, Virginia, assets exceeded liabilities by \$25,596,589 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, 2021.

TOWN OF ROUND HILL - NET POSITION			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 2,439,356	\$ 5,771,076	\$ 8,210,432
Capital assets	3,582,322	19,921,864	23,504,186
Total Assets	6,021,678	25,692,940	31,714,618
Deferred Outflows of Resources	78,753	135,245	213,998
Liabilities			
Long-term liabilities	9,809	5,137,144	5,146,953
Other liabilities	1,017,010	106,450	1,123,460
Total Liabilities	1,026,819	5,243,594	6,270,413
Deferred Inflows of Resources	22,674	38,940	61,614
Net Position			
Net investment in capital assets	3,582,322	15,940,364	19,522,686
Restricted	-	-	-
Unrestricted	1,468,616	4,605,287	6,073,903
Total Net Position	\$ 5,050,938	\$ 20,545,651	\$ 25,596,589

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

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

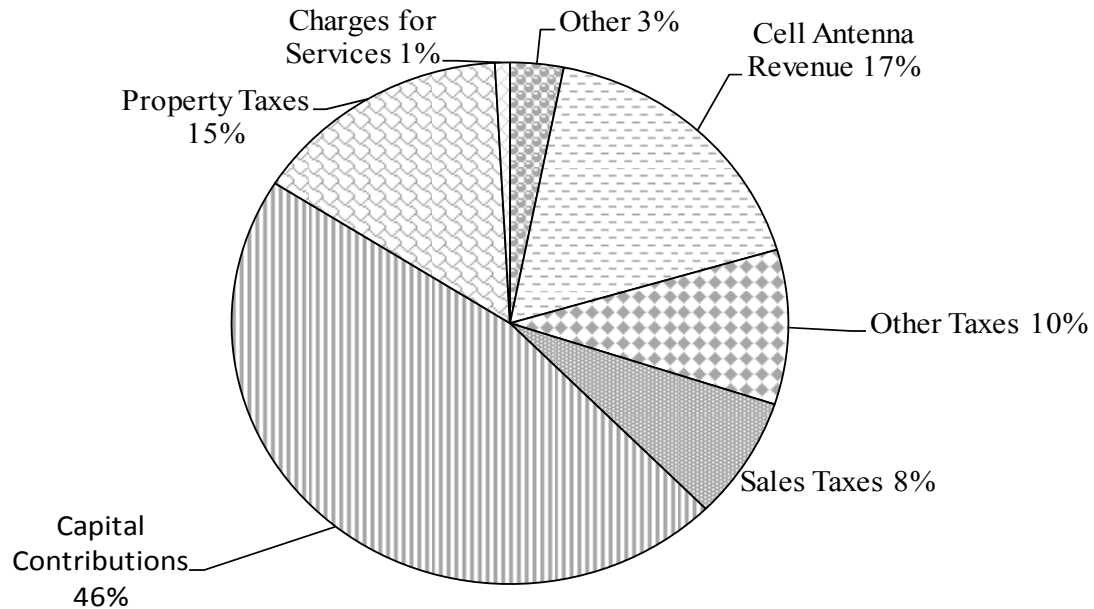
The Town's net position increased by \$1,088,903

Governmental activities. Governmental activities increased the Town's net position by \$580,392. These changes are presented in column one of the following table:

TOWN OF ROUND HILL - CHANGES IN NET POSITION			
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 9,524	\$ 2,383,395	\$ 2,392,919
Operating grants and contributions	20,532	-	20,532
Capital grants and contributions	966,970	992	967,962
General Revenues			
Property taxes	155,627	-	155,627
Other taxes and licenses	177,166	-	177,166
Cell antenna revenue	178,804	-	178,804
Other	32,024	4,279	36,303
Total Revenues	1,540,647	2,388,666	3,929,313
Expenses			
General government	683,243	-	683,243
Public safety	22,000	-	22,000
Public works	104,302	-	104,302
Capital projects	34,054	-	34,054
Water and Sewer	-	2,758,050	2,758,050
Total Expenses	843,599	2,758,050	3,601,649
Transfers	391,855	(391,855)	-
Increase in Net Position	1,088,903	(761,239)	327,664
Net Position - 07/01/20	3,962,035	21,306,890	25,268,925
Net Position - 06/30/21	\$ 5,050,938	\$ 20,545,651	\$ 25,596,589

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2021.

Revenues by Source – Governmental Activities



Business-type activities. Business-type activities decreased the Town's net position by \$761,239. Key elements of this change are as follows.

- Increased water and sewer revenue of \$148,496 from an increase in the number of service connections providing service.
- Costs associated with refinancing the 2009 bond debt, \$96,943 and accounting adjustments expensing the unamortized charge from the 2009 debt, \$242,849.
- Increased costs in repair and maintenance - \$315,466
- No major available fees collected in FYE 06/30/21

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Round Hill's governmental funds reported ending fund balances of \$1,361,273, an increase of \$570,030 in comparison with the prior year. Of this fund balance amount, \$1,361,273 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 \$1,640,983. 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 \$1,640,983 is about 198% of the total general fund expenditures of \$826,835.

The fund balance of the Town of Round Hill, Virginia's general fund increased by \$620,096 during the current fiscal year. The key factors in this increase was the transfer from water and sewer fund, \$391,855 and CARES Act grant funds received, \$118,154 and ARPA grant funds received \$340,305.

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

Net position of the water and sewer fund at the end of the year amounted to \$20,545,651. The total decrease in net position for proprietary funds was \$761,239. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Round Hill, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$23,505,186 (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, 2021.

TOWN OF ROUND HILL - CAPITAL ASSETS
(Net of accumulated depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,445,067	\$ 541,464	\$ 1,986,531
Buildings and improvements	196,691	2,957,159	3,153,850
Parks and improvements	684,363	-	684,363
Utility distribution systems	-	15,851,832	15,851,832
Furniture and fixtures	-	-	-
Machinery and equipment	7,009	571,409	578,418
Sidewalk improvements	1,249,192	-	1,249,192
Total	\$ 3,582,322	\$ 19,921,864	\$ 23,504,186

Additional information on the Town of Round Hill capital assets can be found in note III. C on pages 29-30 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Round Hill, Virginia had total bonded debt outstanding of \$3,965,000 2020 VRS Bond. The 2009 VRS Bond was refinanced under favorable terms allowing the \$5,140,000 2009 bond debt to be fully retired utilizing the 2020 bond proceeds of \$4,240,000 and the 2020 bond issuance premium received of \$1,080,491 to fully retire the 2009 VRS Bond. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

Additional information on the Town of Round Hill's long-term debt can be found in note III. E on pages 31-32 of this report.

Requests for Information

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

TOWN OF ROUND HILL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,142,988	\$ 2,324,900	\$ 3,467,888
Virginia Investment Pool	1,183,652	2,901,487	4,085,139
Receivables (net, where applicable, of allowance for uncollectible)			
Property taxes, including penalties	48,643	-	48,643
Utility taxes	1,225	-	1,225
Accounts	-	459,276	459,276
Tower rental	80	-	80
Due from other governments	22,604	-	22,604
Restricted assets, cash on deposit			
Customer deposits	-	16,436	16,436
Overfunded pension asset	40,164	68,977	109,141
Capital assets (net of accumulated depreciation)			
Land	1,445,067	541,464	1,986,531
Buildings and improvements	196,691	2,957,159	3,153,850
Parks and improvements	684,363	-	684,363
Utility distribution systems	-	15,851,832	15,851,832
Furniture and fixtures	-	-	-
Machinery and equipment	7,009	571,409	578,418
Streets, sidewalk and improvements	1,249,192	-	1,249,192
Total assets	6,021,678	25,692,940	31,714,618
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	-	-
Deferred pension obligation	78,753	135,245	213,998
Total deferred outflows	78,753	135,245	213,998
Liabilities			
Accounts payable and other liabilities	46,894	58,414	105,308
Accrued interest payable	-	31,600	31,600
Public Improvement Escrow	36,664	-	36,664
Liabilities payable from restricted assets	-	16,436	16,436
Reserve for proffers	887,777	-	887,777
Noncurrent liabilities:			
Due within one year	45,675	225,000	270,675
Due in more than one year	9,809	4,912,144	4,921,953
Total liabilities	1,026,819	5,243,594	6,270,413
Deferred Inflows of Resources			
Deferred pension inflow	22,674	38,940	61,614
Net Position			
Net investment in capital assets	3,582,322	15,940,364	19,522,686
Restricted	-	-	-
Unrestricted	1,468,616	4,605,287	6,073,903
Total net position	\$ 5,050,938	\$ 20,545,651	\$ 25,596,589

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

**TOWN OF ROUND HILL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants	Capital Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 683,243	\$ 9,524	\$ 5,532	\$ -	\$ (668,187)	\$ -	\$ (668,187)
Public safety	22,000	-	15,000	-	(7,000)	-	(7,000)
Public works	104,302	-	-	458,459	354,157	-	354,157
Capital projects	34,054	-	-	508,511	474,457	-	474,457
Total governmental activities	843,599	9,524	20,532	966,970	153,427	-	153,427
Business-type activities							
Water & Sewer	2,758,050	2,383,395	-	992	-	(373,663)	(373,663)
Total business-type activities	2,758,050	2,383,395	-	992	-	(373,663)	(373,663)
Total primary government	\$ 3,601,649	\$ 2,392,919	\$ 20,532	\$ 967,962	153,427	(373,663)	(220,236)
General revenues							
Property taxes					155,627	-	155,627
Sales taxes					77,753	-	77,753
Motor vehicle licenses					21,949	-	21,949
Business licenses					22,606	-	22,606
Communication taxes					10,582	-	10,582
Cell antenna revenue					178,804	-	178,804
Consumer taxes					15,142	-	15,142
Cigarette taxes					29,134	-	29,134
Virginia personal property tax reduction					18,613	-	18,613
Rental income					11,124	-	11,124
Investment earnings					2,287	4,279	6,566
Transfers					391,855	(391,855)	-
Total general revenues and transfers					935,476	(387,576)	547,900
Change in net position					1,088,903	(761,239)	327,664
Net position - beginning					3,962,035	21,306,890	25,268,925
Net position - ending					\$ 5,050,938	\$ 20,545,651	\$ 25,596,589

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

**TOWN OF ROUND HILL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Capital Projects	Total Governmental
Assets			
Cash and cash equivalents	\$ 1,236,643	\$ (93,655)	\$ 1,142,988
Virginia Investment Pool	413,583	770,069	1,183,652
Receivables			
Property taxes	48,643	-	48,643
Utility taxes	1,225	-	1,225
Tower rental	80	-	80
Due from other governments	22,604	-	22,604
Total assets	\$ 1,722,778	\$ 676,414	\$ 2,399,192
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other liabilities	\$ 15,211	\$ 31,683	\$ 46,894
Public improvements escrow funds	-	36,664	36,664
Compensated absences	45,675	-	45,675
Post retirement benefits	9,809	-	9,809
Reserve for proffers	-	887,777	887,777
Total liabilities	70,695	956,124	1,026,819
Deferred Inflows of Resources			
Unavailable revenue	11,100	-	11,100
Fund balances			
Unassigned, reported in General Fund	1,640,983	(279,710)	1,361,273
Restricted	-	-	-
Total fund balances	1,640,983	(279,710)	1,361,273
Total liabilities and fund balances			
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,582,322	-	3,582,322
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	11,100	-	11,100
Pension obligation reporting	96,243	-	96,243
Net position of governmental activities	\$ 5,330,648	\$ (279,710)	\$ 5,050,938

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, 2021

	General Fund	Capital Project Funds	Total Governmental
Revenues			
General property taxes	\$ 179,954	\$ -	\$ 179,954
Other local taxes	122,029	-	122,029
Permits, licenses, and fees	47,505	-	47,505
Revenues from use of money and property	190,828	1,387	192,215
Events/Sales/Other	6,574	-	6,574
Intergovernmental	508,186	-	508,186
Loudoun County transportation proffers	-	237,000	237,000
Public improvement proffers	-	271,511	271,511
Total revenues	1,055,076	509,898	1,564,974
Expenditures			
General government	700,533	-	700,533
Public safety	22,000	-	22,000
Public works	104,302	-	104,302
Capital projects/improvements	-	559,964	559,964
Total expenditures	826,835	559,964	1,386,799
(Deficiency) of revenues (under) expenditures	228,241	(50,066)	178,175
Other Financing Sources			
Transfers in	391,855	-	391,855
Capital contributions	-	-	-
Total other financing sources	391,855	-	391,855
Net change in fund balances	620,096	(50,066)	570,030
Proffer reclassification	-	-	-
Fund balance - beginning	1,020,887	(229,644)	791,243
Fund balance - ending	\$ 1,640,983	\$ (279,710)	\$ 1,361,273

**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	\$ 570,030
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.	560,021
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(34,111)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(24,327)
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>17,290</u>
Change in net position of governmental activities	<u><u>\$ 1,088,903</u></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, 2021**

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenues			
General property taxes	\$ 145,085	\$ 179,954	\$ 34,869
Other local taxes	112,939	122,029	9,090
Permits, fees, and licenses	25,750	47,505	21,755
Revenues from use of money and property	164,594	190,828	26,234
Events/Sales/Other	15,500	6,574	(8,926)
Intergovernmental	50,938	508,186	457,248
Total revenues	<u>514,806</u>	<u>1,055,076</u>	<u>540,270</u>
Expenditures			
General government administration	656,739	700,533	(43,794)
Public safety	17,000	22,000	(5,000)
Public works	102,250	104,302	(2,052)
Total expenditures	<u>775,989</u>	<u>826,835</u>	<u>(50,846)</u>
(Deficiency) of revenues (under) expenditures	<u>(261,183)</u>	<u>228,241</u>	<u>489,424</u>
Other Financing Sources			
Transfers in	294,795	391,855	97,060
Capital contributions	-	-	-
Total other financing sources	<u>294,795</u>	<u>391,855</u>	<u>97,060</u>
Net change in fund balances	33,612	620,096	586,484
Proffer reclassification	-	-	-
Fund balances - beginning	<u>1,020,887</u>	<u>1,020,887</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,054,499</u>	<u>\$ 1,640,983</u>	<u>\$ 586,484</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, 2021**

	Business-Type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
Assets		
Current assets		
Cash and cash equivalents	\$ 2,324,900	\$ 3,113,374
Virginia Investment Pool	2,901,487	2,897,208
Accounts receivable	459,276	403,799
Total current assets	<u>5,685,663</u>	<u>6,414,381</u>
Noncurrent assets		
Restricted assets, cash on deposit		
Bond escrow funds	-	-
Customer deposits	16,436	17,567
Total restricted assets	<u>16,436</u>	<u>17,567</u>
Overfunded pension asset	68,977	172,165
Capital assets		
Land, buildings, and structures	6,351,387	6,322,606
Utility distribution systems	21,652,615	21,326,512
Equipment	1,922,967	1,752,684
Less accumulated depreciation	(10,005,105)	(9,336,385)
Total capital assets (net of accumulated depreciation)	<u>19,921,864</u>	<u>20,065,417</u>
Total noncurrent assets	<u>20,007,277</u>	<u>20,255,149</u>
Total assets	<u>25,692,940</u>	<u>26,669,530</u>
Deferred Outflows of Resources		
Deferred charge on refunded debt	-	242,849
Deferred pension obligation	135,245	61,264
Total deferred outflows	<u>135,245</u>	<u>304,113</u>
Liabilities		
Current liabilities		
Accounts payable and other liabilities	58,414	115,157
Accrued interest payable	31,600	58,748
General obligation bonds - current	225,000	270,000
Total current liabilities	<u>315,014</u>	<u>443,905</u>
Current liabilities payable from restricted assets		
Customer deposits payable	16,436	17,567
Total current liabilities payable from restricted assets	<u>16,436</u>	<u>17,567</u>
Noncurrent liabilities		
Compensated absences	113,935	95,597
Post retirement benefits	33,250	33,250
Premium on bonds	1,008,459	92,070
Notes payable	16,500	16,500
General obligation bonds payable	3,740,000	4,870,000
Total noncurrent liabilities	<u>4,912,144</u>	<u>5,107,417</u>
Total liabilities	<u>5,243,594</u>	<u>5,568,889</u>
Deferred Inflows of Resources		
Deferred pension inflow	38,940	97,864
Net Position		
Net investment in capital assets	15,940,364	14,908,917
Unrestricted	4,605,287	6,397,973
Total net position	<u>\$ 20,545,651</u>	<u>\$ 21,306,890</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, 2021

	Business-Type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
Operating revenues:		
Charges for services	\$ 2,320,852	\$ 2,164,356
Connection fees	57,793	60,950
Meter fees and miscellaneous revenue	4,750	9,593
Total operating revenues	<u>2,383,395</u>	<u>2,234,899</u>
Operating expenses:		
Personal services	718,524	648,188
Fringe benefits	197,483	160,567
Depreciation	668,720	665,960
Office expense	42,326	32,250
Truck expense	14,990	24,382
Engineering support	52,518	40,582
Supplies	149,313	149,263
Repairs and maintenance	315,466	198,709
Insurance	24,094	31,034
Utilities	135,726	135,546
Telephone	7,597	4,830
Licenses and permits	7,413	7,199
Miscellaneous	7,044	12,091
Sludge removal	6,377	16,738
Safety	4,777	7,438
Professional fees	33,416	43,571
Total operating expenses	<u>2,385,784</u>	<u>2,178,348</u>
Operating Income	<u>(2,389)</u>	<u>56,551</u>
Nonoperating revenues (expenses):		
Investment earnings	4,279	40,616
Bond interest (net amortization)	(43,676)	(230,991)
Accounting charge on refinance	-	(19,824)
2009 bond unamortized charge	(242,849)	-
Unamortized 2009 bond premium	92,070	-
Excess cost defease 2009 bonds	(80,868)	-
2020 Bond issuance costs	(96,943)	-
Total nonoperating (expenses)	<u>(367,987)</u>	<u>(210,199)</u>
Surplus (loss) before contributions and transfers	<u>(370,376)</u>	<u>(153,648)</u>
Transfers and capital contributions		
Availability fees	992	787,100
Capital contributions	-	-
Transfers (out)	(391,855)	(340,288)
Total transfers and capital contributions	<u>(390,863)</u>	<u>446,812</u>
Change in net position	<u>(761,239)</u>	<u>293,164</u>
Total net position - beginning of year	<u>21,306,890</u>	<u>21,013,726</u>
Total net position - end of year	<u>\$ 20,545,651</u>	<u>\$ 21,306,890</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, 2021**

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 2,327,408
Payments to suppliers	(888,138)
Payments to employees	(897,669)
Net cash provided by operating activities	<u>541,601</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(391,855)
Net cash (used in) noncapital and related financing activities	<u>(391,855)</u>
Cash Flows from Capital and Related Financing Activities	
Availability fees	992
Excess cost on defeased 2009 bond	(80,868)
Acquisition and construction of capital assets	(525,167)
Principal paid on capital debt	(1,175,000)
2020 bond premium	1,080,491
Bond debt refinance fees	(96,943)
Interest paid on capital debt	(142,856)
Net cash used in capital and related financing activities	<u>(939,351)</u>
Cash Flows from Investing Activities	
Purchase of investments	(4,279)
Interest and dividends received	4,279
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	(789,605)
Cash and cash equivalents July 1, 2020	<u>3,130,941</u>
Cash and cash equivalents June 30, 2021	<u>\$ 2,341,336</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ (2,389)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	668,720
Decrease in accounts receivable	(55,477)
Decrease in pension asset	29,207
Increase in accounts payable	(56,743)
Increase in customer deposits	(1,131)
Increase in compensated absences	18,338
(Decrease) in deferred pension	(58,924)
Total adjustments	<u>543,990</u>
Net cash provided by operating activities	<u>\$ 541,601</u>

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Round Hill, Virginia (the Town) was established in 1900. The Town is governed by a mayor and a six member town council who are elected at large for a four year term.

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

A. Reporting Entity

The Town of Round Hill, Virginia (government) is a municipal corporation governed by an elected mayor and six-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is defined at appointment of voting majority of the component unit's board and either (a) the ability to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

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

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value, which approximates cost due to the short-term nature of the investment maturities.

2. Receivables and Payables

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

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

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

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

3. Restricted Assets

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

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

4. Use of Estimates

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

5. Capital Assets

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the utility fund during the current fiscal year was \$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 \$1,396,288. 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, 2021, the general fund appropriations exceeded expenditures by \$50,846.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

At year-end the carrying amount of the Town's deposits with banks and savings institutions was \$3,483,750 and the bank balance was \$3,629,087.

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, 2021, 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)	\$ 4,085,139	\$ 4,085,139

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, 2021.

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	\$ 48,643	\$ -	\$ 48,643
Accounts	-	459,276	459,276
Intergovernmental	22,604	-	22,604
Utility taxes	1,225	-	1,225
Tower rental	80	-	80
Net total receivables	\$ 72,552	\$ 459,276	\$ 531,828

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 \$11,100 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	-
	\$ 22,604

C. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,445,067	\$ -	\$ -	\$ 1,445,067
Total capital assets, not being depreciated	1,445,067	-	-	1,445,067
Capital assets, being depreciated:				
Buildings and improvements	413,564	31,337	-	444,901
Parks and improvements	755,940	18,539	-	774,479
Furniture and fixtures	22,938	-	-	22,938
Equipment	99,009	-	-	99,009
Streets, sidewalks and improvements	830,658	510,145	-	1,340,803
Total capital assets being depreciated	2,122,109	560,021	-	2,682,130
Less accumulated depreciation for:				
Buildings and improvements	(236,497)	(11,713)	-	(248,210)
Parks and improvements	(79,030)	(11,086)	-	(90,116)
Furniture and fixtures	(22,938)	-	-	(22,938)
Equipment	(87,908)	(4,092)	-	(92,000)
Sidewalk improvements	(84,391)	(7,220)	-	(91,611)
Total accumulated depreciation	(510,764)	(34,111)	-	(544,875)
Net capital assets being depreciated	1,611,345	525,910	-	2,137,255
Governmental activities capital assets, net	\$ 3,056,412	\$ 525,910	\$ -	\$ 3,582,322

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 541,464	\$ -	\$ -	\$ 541,464
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>541,464</u>	<u>-</u>	<u>-</u>	<u>541,464</u>
Capital assets, being depreciated:				
Buildings and improvements	5,781,142	28,781	-	5,809,923
Utility distribution systems	21,326,512	326,103	-	21,652,615
Equipment	1,752,684	170,283	-	1,922,967
Total capital assets being depreciated	<u>28,860,338</u>	<u>525,167</u>	<u>-</u>	<u>29,385,505</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,695,262)	(157,502)	-	(2,852,764)
Utility distribution systems	(5,380,858)	(419,925)	-	(5,800,783)
Equipment	(1,260,265)	(91,293)	-	(1,351,558)
Total accumulated depreciation	<u>(9,336,385)</u>	<u>(668,720)</u>	<u>-</u>	<u>(10,005,105)</u>
Net capital assets being depreciated	<u>19,523,953</u>	<u>(143,553)</u>	<u>-</u>	<u>19,380,400</u>
Business-type activities capital assets, net	<u>\$ 20,065,417</u>	<u>\$ (143,553)</u>	<u>\$ -</u>	<u>\$ 19,921,864</u>

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 15,805
Public works	18,306
Total depreciation expense - governmental activities	<u>\$ 34,111</u>
Business-Type Activities:	
Water and sewer	<u>\$ 668,720</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, 2021 are as follows:

Description	Amount
\$4,240,000 Virginia Resources Authority general obligation refunding bond, series 2020, 14 year bond dated July 5, 2020, at a varying interest rate of 4.125% to 5.125%, due in 14 annual principal installments starting October 1, 2020	<u>\$ 3,965,000</u>

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

Year ending June 30,	Business-type Activities	
	Principal	Interest
2022	225,000	184,816
2023	230,000	174,131
2024	245,000	161,959
2025	260,000	149,019
2026	275,000	135,309
2027 - 2031	1,585,000	445,922
2032 - 2034	1,145,000	66,178
Total	<u>\$ 3,965,000</u>	<u>\$ 1,317,334</u>

Note Payable. The Town had the following note outstanding at June 30, 2021:

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

NOTES TO THE FINANCIAL STATEMENTS

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

D. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2021 was as follows:

	June 30, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
Governmental activities:					
Compensated absences	\$ 30,097	\$ 15,578	\$ -	\$ 45,675	\$ 45,675
Post retirement benefits	9,809	-	-	9,809	-
Governmental long-term liabilities	<u>\$ 39,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,484</u>	<u>\$ 45,675</u>
Business-type activities:					
General obligation bonds	\$ 5,140,000	\$ 4,240,000	\$ (5,415,000)	\$ 3,965,000	\$ 225,000
Note payable	16,500	-	-	16,500	-
Compensated absences	95,597	-	18,338	113,935	-
Premiums on bonds	92,070	1,080,491	(164,102)	1,008,459	-
Post retirement benefits	33,250	-	-	33,250	-
Business-type long-term liabilities	<u>\$ 5,377,417</u>	<u>\$ 5,320,491</u>	<u>\$ (5,560,764)</u>	<u>\$ 5,137,144</u>	<u>\$ 225,000</u>

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

Advance Refundings

The Town issued 2020 series \$4,240,000 general obligation refunding bonds to provide resources for advance bond debt refunding the 2009 series bond. The Town advanced refunded the 2009 bond debt of \$5,140,000. 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 \$80,868 and is expensed as an accounting loss on refinancing. The advance refunding was undertaken to improve cash flow by reducing the next fourteen (14) years debt service requirements. Total debt service payments over the 14 year life of the new bonded debt decreased by \$1,267,851 with an estimated economic gain of \$1,182,758.

E. Restricted Net Position

The balances of the restricted asset accounts are as follows:

Description	Amount
Utility fund customer deposits	<u>\$ 16,436</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	\$ 391,855	\$ -
Utility Fund	-	391,855
	<u>\$ 391,855</u>	<u>\$ 391,855</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, 2019 for two years. Future minimum rental income is as follows: 2022: \$3,708. In 2021 rental income was \$11,124.

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 2021 the Town paid premiums of approximately \$8,051 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 2021, the Town paid contributions of approximately \$32,213 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 available at the VRS web site - varetirement.org.

Employees Covered by Benefit Terms

As of the June 30, 2019 valuation date, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2019 Number
Inactive members or their beneficiaries currently receiving benefits	<u>10</u>
Inactive members:	
Vested inactive members	4
Non-vested inactive members	1
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	<u>12</u>
Active members	<u>11</u>
Total covered employees	<u><u>33</u></u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2021 was 3.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$33,855 and \$31,767 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019 (surplus)	\$ 1,854,424	\$ 2,126,857	\$ (272,433)
Changes for the year:			
Service cost	79,502		79,502
Interest	123,000		123,000
Changes of assumptions	-		-
Differences between expected and actual experience	77,866		77,866
Contributions - employer		38,017	(38,017)
Contributions - employee		39,673	(39,673)
Net investment income		40,782	(40,782)
Benefit payments, including refunds of employee contributions	(64,417)	(64,417)	-
Administrative expenses	0	(1,347)	1,347
Other changes	-	(49)	49
Net changes	<u>215,951</u>	<u>52,659</u>	<u>163,292</u>
Balances at June 30, 2020 (surplus)	<u>\$ 2,070,375</u>	<u>\$ 2,179,516</u>	<u>\$ (109,141)</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>\$ 181,156</u>	<u>\$ (109,141)</u>	<u>\$ (349,554)</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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,679	\$ 61,614
Change in assumptions	17,937	-
Net difference between projected and actual earnings on pension plan investments	65,756	-
Employer contributions subsequent to the measurement date	76,626	-
Total	<u>\$ 213,998</u>	<u>\$ 61,614</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:

Year ended June 30,	Amortization
2022	70,279
2023	39,754
2024	21,713
2025	20,638

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

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 79,502	\$ 76,278	\$ 87,881	\$ 80,488	\$ 74,729
Interest	123,000	128,014	115,023	105,729	94,563
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	77,866	(206,586)	41,384	33,953	26,419
Changes in assumptions	-	60,145	-	(37,365)	-
Benefit payments, including refunds of employee contributions	(64,417)	(64,397)	(53,016)	(46,972)	(25,398)
Net change in total pension liability	215,951	(6,546)	191,272	135,833	170,313
Total pension liability - beginning	1,854,424	1,860,970	1,669,698	1,533,905	1,363,592
Total pension liability - ending (a)	\$ 2,070,375	\$ 1,854,424	\$ 1,860,970	\$ 1,669,738	\$ 1,533,905
Plan fiduciary net position					
Contributions - employer	\$ 38,017	\$ 32,966	\$ 35,848	\$ 35,807	\$ 39,050
Contributions - employee	39,673	34,080	40,763	41,810	39,286
Net investment income	40,782	134,062	136,558	198,486	28,394
Benefit payments, including refunds of employee contributions	(64,417)	(64,397)	(53,016)	(46,972)	(25,398)
Administrative expense	(1,347)	(1,285)	(1,135)	(1,093)	(908)
Other	(49)	(85)	(124)	(179)	(12)
Net change in plan fiduciary net position	52,659	135,341	158,894	227,859	80,412
Total net pension position - beginning	2,126,857	1,991,516	1,832,622	1,604,763	1,524,351
Total net pension position - ending (b)	2,179,516	\$ 2,126,857	\$ 1,991,516	\$ 1,832,622	\$ 1,604,763
Town's net pension liability (surplus) - ending (a) - (b)	(109,141)	\$ (272,433)	\$ (130,546)	\$ (162,884)	\$ (70,858)
Plan fiduciary net position as a percentage of the total pension liability	105.27%	114.69%	107.01%	109.76%	104.62%
Covered-employee payroll	\$ 933,789	\$ 797,695	\$ 694,317	\$ 830,689	\$ 786,706
Town's net pension liability (surplus), as a percentage of covered-employee payroll (excess)	-11.69%	-34.15%	-18.80%	-19.61%	-9.01%

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
2021	\$ 33,855	\$ 33,855	\$ -	\$ 933,789	3.63%
2020	31,767	31,767	-	797,695	3.98%
2019	38,776	38,776	\$ -	694,317	5.58%
2018	31,398	31,398	-	830,689	3.78%
2017	41,287	41,287	-	786,706	5.25%

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)
2020	\$ 2,244,780	\$ 2,104,809	\$ (139,971)	106.65%	\$ 933,789	-14.99%
2019	2,108,770	1,927,366	(181,404)	109.41%	797,695	-22.74%
2018	1,975,339	1,667,899	(307,440)	118.43%	694,317	-44.28%
2017	1,807,049	1,708,375	(98,674)	105.78%	830,689	-11.88%
2016	1,636,510	1,565,637	(70,873)	104.53%	786,706	-9.01%

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, 2020 are not material.

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

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 \$1,775 in 2021 for retiree health insurance benefits.

F. Group Life Insurance

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program upon employment. The plan is administered by the Virginia Retirement System for public employer groups in the Commonwealth of Virginia. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit to employees. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. During the year ended June 30, 2021, the Town contributed \$12,560 towards life insurance. The VRS system’s actuary determined the total net OPEB liability, valued at June 30, 2020, and this amount was allocated to each employer of the plan. The Town’s portion of the net OPEB liability was \$68,089.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

G. Group Disability Insurance

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Disability Insurance Program upon employment. The plan is administered by the Virginia Retirement System for public employer groups in the Commonwealth of Virginia. The Group Disability Insurance Program is a defined benefit plan that provides a basic group disability insurance benefit to employees. The total rate for the Group Disability Insurance Program was based on covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. During the year ended June 30, 2021, the Town contributed \$1,645 towards disability insurance. The VRS system's actuary determined the total net OPEB liability, valued at June 30, 2020, and this amount was allocated to each employer of the plan. The Town's portion of the net OPEB liability was \$500.

H. Subsequent Events

The Town of Round Hill has evaluated events and transactions subsequent to June 30, 2021 through February 16, 2022 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, 2021.

TOWN OF ROUND HILL, VIRGINIA

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues			
General Property Taxes			
Real and personal property taxes	\$ 145,085	\$ 177,406	\$ 32,321
Penalties and interest	-	2,548	2,548
Total General Property Taxes	<u>145,085</u>	<u>179,954</u>	<u>34,869</u>
Other Local Taxes			
Sales taxes	72,339	77,753	5,414
Consumer utility tax	11,600	15,142	3,542
Cigarette tax	29,000	29,134	134
Total Other Local Taxes	<u>112,939</u>	<u>122,029</u>	<u>9,090</u>
Permits, Fees and Licenses			
Zoning permits	300	2,950	2,650
Business licenses	15,450	22,606	7,156
Motor vehicle licenses	10,000	21,949	11,949
Total Permits, Fees, and Licenses	<u>25,750</u>	<u>47,505</u>	<u>21,755</u>
Revenues from Use of Money and Property			
Office rental income	11,124	11,124	-
Cell antenna revenue	153,470	178,804	25,334
Interest on bank deposits	-	900	900
Total Revenues from Use of Money and Property	<u>164,594</u>	<u>190,828</u>	<u>26,234</u>
Events/Sales/Other			
Town events	12,000	310	(11,690)
Other	3,500	6,264	2,764
Total Other Revenue	<u>15,500</u>	<u>6,574</u>	<u>(8,926)</u>
Intergovernmental			
Communication Tax	12,825	10,582	(2,243)
State grants	5,500	5,532	32
State aid - fire department	10,000	15,000	5,000
State aid - personal property	18,613	18,613	-
Loudoun County grant	4,000	458,459	454,459
Total Intergovernmental	<u>50,938</u>	<u>508,186</u>	<u>457,248</u>
Total General Fund Revenues	<u>514,806</u>	<u>1,055,076</u>	<u>540,270</u>
Other Financing Sources			
Transfers in	294,795	391,855	97,060
Capital contributions	-	-	-
Total Other Financing Sources	<u>294,795</u>	<u>391,855</u>	<u>97,060</u>
Total General Fund Revenues and Other Financing Sources	<u>\$ 809,601</u>	<u>\$ 1,446,931</u>	<u>\$ 637,330</u>

**TOWN OF ROUND HILL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Original & Final Budget	Actual	Variance Positive (Negative)
General Government			
Administration			
Full time staff	\$ 264,037	\$ 303,539	\$ (39,502)
Part time staff	110,059	98,862	11,197
Advertising	6,000	3,245	2,755
Auditing and accounting	7,000	6,072	928
Subcontractors	10,000	6,694	3,306
Legal fees	33,000	33,730	(730)
Communication	3,820	4,882	(1,062)
Postage and box rental	1,000	687	313
Office supplies	6,200	4,293	1,907
Payroll taxes	28,357	28,596	(239)
Worker's benefits	48,978	47,060	1,918
Printing	1,000	-	1,000
Retirement benefits	14,583	21,256	(6,673)
Office equipment and maintenance	9,659	12,564	(2,905)
Training - staff and officials	15,750	4,283	11,467
General office	3,625	81,817	(78,192)
Building and grounds			
Utilities	6,000	3,236	2,764
Security	2,000	2,967	(967)
Cleaning	4,635	5,648	(1,013)
Maintenance	5,250	1,410	3,840
Other expenses			
Town events	29,200	4,509	24,691
Grant funding	10,000	10,000	-
Liability and other insurance	13,400	12,343	1,057
Newsletter	1,500	1,355	145
Elections	-	-	-
Loudoun County collection fee	1,862	296	1,566
Miscellaneous	4,824	945	3,879
Contingency	15,000	244	14,756
Total General Government	<u>656,739</u>	<u>700,533</u>	<u>(43,794)</u>
Public Safety - Fire Department	<u>17,000</u>	<u>22,000</u>	<u>(5,000)</u>
Public Works			
Trash removal/recycling	55,000	57,371	(2,371)
Street lighting	7,650	6,601	1,049
Streets and Sidewalks	3,480	2,567	913
Park maintenance and supplies	36,120	37,763	(1,643)
Total Public Works	<u>102,250</u>	<u>104,302</u>	<u>(2,052)</u>
Total General Fund Expenditures	<u>\$ 775,989</u>	<u>\$ 826,835</u>	<u>\$ (50,846)</u>

**TOWN OF ROUND HILL, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Capital Projects</u>		Total Nonmajor Governmental Funds
	General	Street	
Assets			
Cash and cash equivalents	\$ (315,843)	\$ 222,188	\$ (93,655)
Virginia Investment Pool	370,069	400,000	770,069
Total Assets	\$ 54,226	\$ 622,188	\$ 676,414
Liabilities			
Accounts payable	\$ 31,683	\$ -	\$ 31,683
Reserve for proffers	265,589	622,188	887,777
Public improvement escrow	36,664	-	36,664
Total Liabilities	333,936	622,188	956,124
Fund Balances			
Unassigned	(279,710)	-	(279,710)
Total Fund Balances	(279,710)	-	(279,710)
Total Liabilities and Fund Balances	\$ 54,226	\$ 622,188	\$ 676,414

**TOWN OF ROUND HILL, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021**

	<u>Capital Projects</u>		Total Nonmajor Governmental Funds
	General	Street	
Revenues			
Interest Earnings	\$ 1,387	\$ -	\$ 1,387
Loudoun County transportation proffers	-	237,000	237,000
Public Improvement proffers	271,511	-	271,511
Total revenues	<u>272,898</u>	<u>237,000</u>	<u>509,898</u>
Expenditures			
Projects/improvements	559,964	-	559,964
Suprplus/(Deficit)	<u>(287,066)</u>	<u>237,000</u>	<u>(50,066)</u>
Other Financing Sources			
Transfers in/out	237,000	(237,000)	-
Capital contributions	-	-	-
Total other financing sources	<u>237,000</u>	<u>(237,000)</u>	<u>-</u>
Net change in fund balances	(50,066)	-	(50,066)
Fund balance - beginning	<u>(229,644)</u>	<u>-</u>	<u>(229,644)</u>
Fund balance - ending	<u>\$ (279,710)</u>	<u>\$ -</u>	<u>\$ (279,710)</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, 2021**

	Non-GAAP Original & Final Budget	Actual	Variance Positive (Negative)
Revenues			
Interest earnings/donations/other	\$ 23,762	\$ 1,387	\$ (22,375)
Federal/state grants	1,356,188	-	(1,356,188)
Loudoun County grants	1,187,377	-	(1,187,377)
Public proffers	749,367	-	(749,367)
Fund balance reserves	293,854	-	(293,854)
Loudoun County transportation proffers	-	237,000	237,000
Public Improvement proffers	-	271,511	271,511
Total revenues	<u>3,610,548</u>	<u>509,898</u>	<u>(3,100,650)</u>
Expenditures			
Projects			
Main street	3,041,073	487,579	2,553,494
Sleeter lake park	246,080	18,539	227,541
Town office upgrades	129,600	31,253	98,347
Financial software upgrades	50,000	-	50,000
Website	15,300	-	15,300
BLA project	16,995	-	16,995
Streets and sidewalks	-	-	-
Park & trail improvements	111,500	22,593	88,907
Total expenditures	<u>3,610,548</u>	<u>559,964</u>	<u>3,050,584</u>
(Deficiency) of revenues (under) expenditures	<u>-</u>	<u>(50,066)</u>	<u>(50,066)</u>
Proffer reclassification	-	-	-
Fund balances - beginning	<u>(229,644)</u>	<u>(229,644)</u>	<u>-</u>
Fund balances - ending	<u>\$ (229,644)</u>	<u>\$ (279,710)</u>	<u>\$ (50,066)</u>

**TOWN OF ROUND HILL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2021**

Assessed value of taxable real property	<u>\$ 103,954,340</u>
Debt limit (10% of assessed value)	10,395,434
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 10,395,434</u>

Section 15.1-176 of 1950 Code of Virginia, as amended, limits to 10% of the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from the debt margin calculation are bonds payable from enterprise funds issued under Article VII Section 10(a)(2) of the Constitution of Virginia (formerly Clause (B) of Section 127 of the Constitution of Virginia). This exclusion applies to the 2020 bond obligations.

Taxable assessed value is as of January 1, 2021 and excludes real property owned by public service corporations, other supplements and reduced for abatements and elderly relief.