



Town of Round Hill, Virginia

Financial Report

June 30, 2025

Town of Round Hill, Virginia

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Introductory Section



Town of Round Hill, Virginia

Directory of Principal Officials

June 30, 2025

Town Council

Scott T. Ramsey, Mayor
Mary Anne Graham, Vice Mayor
Dan Brzezynski
Paula James
Sean Lloyd
Jim Maulfair
Isaac Pacheco

Appointed Officials

Melissa K. HynesTown and Zoning Administrator
Robert W. Lohr Project Manager
Harriet WestTown Clerk
Cathy Owens Treasurer

Legal Counsel

Maureen K. Gilmore



Financial Section





Independent Auditor's Report

Honorable Members of Town Council
Town of Round Hill
Round Hill, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Round Hill, (the "Town") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions


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

Change in Accounting Principle

As described in Note 1 and Note 12 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Auditor's Responsibilities for the Audit of the Financial Statements

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


In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of



the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the town's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or other information otherwise appears to be materially misstated. If, based



on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 26, 2026

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Financial Statements



Town of Round Hill, Virginia

Statement of Net Position

June 30, 2025

	Primary Government		
	Governmental	Business-	Total
		Type	
Activities	Activities		
ASSETS			
Cash and cash equivalents (Note 2)	\$ 293,193	\$ 77,245	\$ 370,438
Investments (Note 2)	1,781,021	2,949,831	4,730,852
Receivables:			
Property taxes (Note 3)	101,506	-	101,506
Trade and other accounts (Note 3)	1,154	199,986	201,140
Lease receivables (Note 11)	1,060,443	-	1,060,443
Inventories	-	117,243	117,243
Due from other governmental units (Note 4)	60,531	-	60,531
Prepays	1,787	824	2,611
Restricted cash and cash equivalents (Note 2)	1,000	3,646,915	3,647,915
Net pension asset (Note 8)	61,850	129,083	190,933
Capital assets: (Note 5)			
Nondepreciable	1,814,302	4,457,926	6,272,228
Depreciable, net	2,453,211	19,469,297	21,922,508
Total assets	<u>7,629,998</u>	<u>31,048,350</u>	<u>38,678,348</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows (Note 8)	22,576	47,118	69,694
OPEB-related deferred outflows (Note 9)	4,929	12,893	17,822
Total deferred outflows of resources	<u>27,505</u>	<u>60,011</u>	<u>87,516</u>
LIABILITIES			
Accounts payable	21,589	481,311	502,900
Accrued payroll	24,796	51,590	76,386
Accrued liabilities - other	1,000	185,368	186,368
Customer deposits	-	43,784	43,784
Reserve for proffers	265,589	-	265,589
Noncurrent liabilities:			
Net OPEB liabilities (Note 9)	12,409	32,451	44,860
Other noncurrent liabilities due within one year (Note 7)	5,072	472,577	477,649
Other noncurrent liabilities due in more than one year (Note 7)	45,644	5,618,940	5,664,584
Total liabilities	<u>376,099</u>	<u>6,886,021</u>	<u>7,262,120</u>
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows (Note 8)	29,581	61,738	91,319
OPEB-related deferred inflows (Note 9)	4,135	10,815	14,950
Lease related deferred inflows (Note 11)	1,029,677	-	1,029,677
Total deferred inflows of resources	<u>1,063,393</u>	<u>72,553</u>	<u>1,135,946</u>
NET POSITION			
Net investment in capital assets	4,261,324	17,385,476	21,646,800
Restricted:			
Pension	61,850	129,083	190,933
Airmont tank project	-	3,646,915	3,646,915
Unrestricted	1,894,837	2,988,313	4,883,150
Total net position	<u>\$ 6,218,011</u>	<u>\$ 24,149,787</u>	<u>\$ 30,367,798</u>

Town of Round Hill, Virginia

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government administration	\$ 793,323	\$ -	\$ -	\$ -	\$ (793,323)	\$ -	\$ (793,323)
Public safety	17,000	-	-	-	(17,000)	-	(17,000)
Public works	237,040	-	-	-	(237,040)	-	(237,040)
Parks, recreation, and culture	96,180	-	-	-	(96,180)	-	(96,180)
Total governmental activities	1,143,543	-	-	-	(1,143,543)	-	(1,143,543)
Business-type activities							
Water and sewer	3,858,240	3,036,810	-	5,314,010	-	4,492,580	4,492,580
Total business-type activities	3,858,240	3,036,810	-	5,314,010	-	4,492,580	4,492,580
Total primary government	<u>\$ 5,001,783</u>	<u>\$ 3,036,810</u>	<u>\$ -</u>	<u>\$ 5,314,010</u>	<u>(1,143,543)</u>	<u>4,492,580</u>	<u>3,349,037</u>
General revenues and transfers:							
Property taxes					193,262	-	193,262
Local sales taxes					115,292	-	115,292
Motor vehicle license taxes					15,550	-	15,550
Business licenses and fees					43,378	-	43,378
Unrestricted revenue from the use of money and property					316,998	397,096	714,094
Intergovernmental					50,038	-	50,038
Other					26,750	9,082	35,832
Transfers (Note 1)					461,195	(461,195)	-
Total general revenues and transfers					1,222,463	(55,017)	1,167,446
Change in net position					78,920	4,437,563	4,516,483
NET POSITION AT JULY 1, as previously reported					5,402,945	19,298,463	24,701,408
Restatement (Note 12)					736,146	413,761	1,149,907
NET POSITION AT July 1, as restated					6,139,091	19,712,224	25,851,315
NET POSITION AT JUNE 30					<u>\$ 6,218,011</u>	<u>\$ 24,149,787</u>	<u>\$ 30,367,798</u>

The Notes to Financial Statements are an integral part of this statement.

Town of Round Hill, Virginia

Balance Sheet Governmental Funds June 30, 2025

	General	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 287,003	\$ 6,190	\$ 293,193
Investments	1,515,432	265,589	1,781,021
Receivables, net (Note 3)			
Property taxes	98,076	-	98,076
Utility taxes	703	-	703
Local taxes	2,727	-	2,727
Accounts receivable other (Note 3)	1,154	-	1,154
Lease receivables (Note 11)	1,060,443	-	1,060,443
Due from other governments (Note 4)	60,531	-	60,531
Prepays	1,787	-	1,787
Cash and cash equivalents - restricted	1,000	-	1,000
Total assets	<u>\$ 3,028,856</u>	<u>\$ 271,779</u>	<u>\$ 3,300,635</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,399	\$ 6,190	\$ 21,589
Accrued payroll	24,796	-	24,796
Lease deposit payable	1,000	-	1,000
Reserve for proffers	-	265,589	265,589
Total liabilities	<u>41,195</u>	<u>271,779</u>	<u>312,974</u>
Deferred inflows of resources:			
Leases	1,029,677	-	1,029,677
Unavailable revenue (Note 6)	101,501	-	101,501
Total deferred inflows of resources	<u>1,131,178</u>	<u>-</u>	<u>1,131,178</u>
Fund balances:			
Nonspendable - prepaids	1,787	-	1,787
Unassigned	1,854,696	-	1,854,696
Total fund balances	<u>1,856,483</u>	<u>-</u>	<u>1,856,483</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,028,856</u>	<u>\$ 271,779</u>	<u>\$ 3,300,635</u>

Town of Round Hill, Virginia

Reconciliation of the Balance Sheet of the Governmental Funds To the Statement of Net Position

June 30, 2025

Ending fund balances – governmental funds		\$ 1,856,483
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 fund.		
Nondepreciable capital assets	\$ 1,814,302	
Depreciable capital assets, net	2,453,211	4,267,513
Certain revenues are not available to pay for current period expenditures and are not reported in the fund.		101,501
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the fund.		
Deferred outflows of resources related to OPEB	4,929	
Deferred inflows of resources related to OPEB	(4,135)	
Deferred outflows of resources related to Pension	22,576	
Deferred inflows of resources related to Pension	(29,581)	(6,211)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.		
Compensated absences and service benefits	(50,716)	
Net pension asset	61,850	
Net OPEB liabilities	(12,409)	(1,275)
Total net position – governmental activities		\$ 6,218,011

Town of Round Hill, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	General	Capital Projects Fund	Total Governmental Funds
REVENUES			
General property taxes	\$ 200,961	\$ -	\$ 200,961
Other local taxes	115,292	-	115,292
Permits, privilege fees, and regulatory licenses	58,928	-	58,928
Revenues from the use of money and property	276,540	40,458	316,998
Intergovernmental	48,988	1,050	50,038
Miscellaneous revenue	26,750	-	26,750
Total revenues	<u>727,459</u>	<u>41,508</u>	<u>768,967</u>
EXPENDITURES			
Current:			
General government administration	720,171	-	720,171
Public safety	17,000	-	17,000
Public works	97,401	-	97,401
Parks, recreation, and culture	96,180	-	96,180
Capital outlay		424,529	424,529
Total expenditures	<u>930,752</u>	<u>424,529</u>	<u>1,355,281</u>
Deficiency of revenues under expenditures	<u>(203,293)</u>	<u>(383,021)</u>	<u>(586,314)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 1)	461,195	267,814	729,009
Transfers out (Note 1)	(267,814)	-	(267,814)
Total other financing sources	<u>193,381</u>	<u>267,814</u>	<u>461,195</u>
Net change in fund balances	<u>(9,912)</u>	<u>(115,207)</u>	<u>(125,119)</u>
FUND BALANCES AT JULY 1, AS PREVIOUSLY STATED	1,868,727	(512,837)	1,355,890
Restatement (Note 12)	(2,332)	628,044	625,712
FUND BALANCES AT JULY 1, AS RESTATED (NOTE 12)	<u>1,866,395</u>	<u>115,207</u>	<u>1,981,602</u>
FUND BALANCES AT JUNE 30	<u>\$ 1,856,483</u>	<u>\$ -</u>	<u>\$ 1,856,483</u>

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

Year Ended June 30, 2025

Net change in fund balances – total governmental funds \$ (125,119)

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

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.

Capital outlays	\$ 395,914	
Depreciation expense	(185,994)	
		209,920

Governmental funds report employer pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.

Pension contributions	17,277	
Cost of benefits earned net of employee contributions	(4,384)	
Employer other postemployment benefit contributions	1,242	
Other postemployment benefit	(16,578)	
		(2,443)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (7,699)

Long-term compensated absences and service benefits are reported in the statement of activities but they do not require the use of current financial resources and, therefore, are not recorded as expenditures in governmental funds.

		4,261
Change in net position of governmental activities	\$	78,920

Town of Round Hill, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
General property taxes	\$ 209,897	\$ 209,897	\$ 200,961	\$ (8,936)
Other local taxes	118,799	118,799	115,292	(3,507)
Permits, privilege fees, and regulatory licenses	41,311	41,311	58,928	17,617
Revenues from the use of money and property	181,094	181,094	276,540	95,446
Intergovernmental	43,113	43,113	48,988	5,875
Miscellaneous revenue	19,350	19,350	26,750	7,400
Total revenues	<u>613,564</u>	<u>613,564</u>	<u>727,459</u>	<u>113,895</u>
EXPENDITURES				
Current:				
General government administration	886,966	886,966	720,171	166,795
Public safety	17,000	17,000	17,000	-
Public works	91,717	91,717	97,401	(5,684)
Parks, recreation, and cultural	83,910	83,910	96,180	(12,270)
Total expenditures	<u>1,079,593</u>	<u>1,079,593</u>	<u>930,752</u>	<u>148,841</u>
Deficiency of revenues under expenditures	<u>(466,029)</u>	<u>(466,029)</u>	<u>(203,293)</u>	<u>262,736</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	466,308	466,308	461,195	(5,113)
Transfers out	(279)	(279)	(267,814)	(267,535)
Total other financing sources	<u>466,029</u>	<u>466,029</u>	<u>193,381</u>	<u>(272,648)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,912)</u>	<u>\$ (9,912)</u>

Town of Round Hill, Virginia

Statement of Net Position -
Proprietary Fund
June 30, 2025

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 77,245
Investments	2,949,831
Accounts receivable (Note 3)	199,986
Inventories	117,243
Prepays	824
Cash and cash equivalents - restricted (Note 2)	3,646,915
Total current assets	<u>6,992,044</u>
Noncurrent assets:	
Net pension asset (Note 8)	129,083
Capital assets (Note 5)	
Land	799,439
Building and improvements	6,090,470
Utility distribution systems	23,076,105
Equipment	3,347,399
Construction in progress	3,658,487
Less: accumulate depreciation	<u>(13,044,677)</u>
Total noncurrent assets	<u>24,056,306</u>
Total assets	<u>31,048,350</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related deferred outflows	47,118
OPEB-related deferred outflows	<u>12,893</u>
Total deferred outflows of resources	<u>60,011</u>
LIABILITIES	
Current liabilities:	
Accounts payable	481,311
Accrued payroll	51,590
Accrued liabilities - other	185,368
Customer deposits	43,784
Compensated absences - current (Note 7)	9,002
Bonds payable and other obligations - current (Note 7)	463,575
Total current liabilities	<u>1,234,630</u>
Noncurrent liabilities:	
Net OPEB liabilities	32,451
Compensated absences (Note 7)	81,016
Bonds payable and other obligations (Note 7)	<u>5,537,924</u>
Total noncurrent liabilities	<u>5,651,391</u>
Total liabilities	<u>6,886,021</u>
DEFERRED INFLOWS OF RESOURCES	
Pension-related deferred inflows	61,738
OPEB-related deferred inflows	<u>10,815</u>
Total deferred inflows of resources	<u>72,553</u>
NET POSITION	
Net investment in capital assets	17,385,476
Restricted:	
Pension	129,083
Airmont tank project	3,646,915
Unrestricted	2,988,313
Total net position	<u>\$ 24,149,787</u>

Town of Round Hill, Virginia
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Fund
Year Ended June 30, 2025

	Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Charges for services	\$ 3,018,917
Connection availability fees	17,893
Total operating revenues	3,036,810
OPERATING EXPENSES	
Salaries and fringe benefits	1,203,377
Maintenance	1,083,053
Utilities	202,771
Materials and supplies	26,353
Insurance	32,085
Other	152,233
Contractual Services	129,407
Depreciation and amortization	862,623
Total operating expenses	3,691,902
Operating income	(655,092)
NONOPERATING REVENUES (EXPENSES)	
Investment income	397,096
Interest and fiscal charges	(166,338)
Contributed Capital	5,227,480
Miscellaneous income, net	9,082
Income before availability fees and transfers	4,812,228
AVAILABILITY FEES	86,530
TRANSFERS OUT (NOTE 1)	(461,195)
Change in net position	4,437,563
NET POSITION AT JULY 1, AS PREVIOUSLY STATED	19,298,463
Restatement (Note 12)	413,761
NET POSITION AT JULY 1, AS RESTATED (NOTE 12)	19,712,224
NET POSITION AT JUNE 30	\$ 24,149,787

Town of Round Hill, Virginia
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2025

	Enterprise Fund
	Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers	\$ 3,046,327
Payments to suppliers	(1,628,591)
Payments to employees	(1,189,082)
Net cash provided by operating activities	228,654
NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(461,195)
CAPITAL AND RELATED FINANCING ACTIVITIES	
Availability fees	86,530
Contributed capital	5,227,480
Purchases of capital assets	(3,364,751)
Principal paid on debt	(453,427)
Interest paid on debt	(168,820)
Net cash provided by capital and related financing activities	1,327,012
INVESTING ACTIVITIES	
Purchase of investments	(1,175,143)
Interest received	406,178
Net cash used in investing activities	(768,965)
Net increase in cash and cash equivalents	325,506
CASH AND CASH EQUIVALENTS	
Beginning at July 1	3,398,654
Ending at June 30	\$ 3,724,160
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (655,092)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	862,623
Pension and OPEB expense net of employer contributions	(21,048)
Change in certain assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(15,006)
Prepays	3,110
Increase (decrease) in:	
Accounts payable and accrued liabilities	(5,799)
Accrued payroll and related liabilities	5,116
Deposits payable	24,523
Net pension liability	(1,056)
Compensated absences and service benefits	31,283
Net cash provided by operating activities	\$ 228,654
Schedule of Non-cash Capital and Related Financing Activities:	
Capital assets acquired through accounts payable	\$ 401,599

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

A – The Financial Reporting Entity

The Town of Round Hill, Virginia (the “Town”) was established in 1900. It is a municipal corporation governed by an elected mayor and six-member Council. Town Council consists of a mayor, a vice mayor, and five other council members who are elected at large for a four-year term. The Town is part of Loudoun County and has taxing powers subject to statewide restrictions and tax limits.

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 activities) report information on all of the nonfiduciary activities of the Town. *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 government funds and enterprise funds are reported as separate columns in the fund financial statements.

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

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

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 collected 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.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

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

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed through proprietary funds.

The Town reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges. The water and sewer enterprise fund consists of activities relating to water and sewer services.

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 charges between the government's proprietary funds 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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 fund are charges to customers for sales and services. Operating expenses of the water and sewer fund 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 non-operating revenues and expenses.

D — Budgets and Budgetary Accounting

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1st, the proposed budget is presented to the Town Council for review.
2. Public hearings are conducted to obtain citizen comments. The Council 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 function level.
3. Prior to June 30th, the budget is legally enacted through the passage of an appropriations ordinance. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
4. The appropriations ordinance places legal restrictions on expenditures at the function level. The appropriation for each function can be revised only by Town Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30th for all Town units.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

8. All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30th.

The Town spent funds in excess of budgeted amounts in two functional areas for the general fund as illustrated in Exhibit 7.

E – Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F – Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, meals taxes, and utility taxes. Governmental funds report receivables that are both earned and available. Business-type activities report utility services as the major receivable. The Town grants credit to the customers of its water and sewer systems.

The Town does not have an allowance for uncollectible accounts as historically there has not been difficulty in collecting payments. Management believes all balances are collectible.

G – Property Taxes

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. Real estate taxes are due June 5 and December 5 and personal property taxes are due May 5 and October 5. The bills are 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 are attached 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.

There is no allowance calculated by the Town. Trade and property tax receivables are all considered to be collectible.

H – Inventories

Inventories consist of expendable supplies held for consumption. Inventories are estimated by the Town.

I – Prepaids

Payments made to vendors for services that will benefit periods beyond June 30th are reported as prepaids using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

J – Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Infrastructure assets capitalized have an original cost of \$25,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Assets received in a service concession arrangement are reported at acquisition value.

Major outlay for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and improvements	39-50 years
Parks and improvements	5-15 years
Machinery and Equipment	5-10 years
Furniture and fixtures	5-7 years
Streets, sidewalks, and improvements	15 years
Utility distribution system	7-50 years

K – Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present financial position report a separate section for deferred outflows of resources, which represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements that represent financial condition report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes of assumptions. This difference will be recognized in OPEB expense over a closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in a proportionate share that will be recognized in OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or a deferred inflow as appropriate.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

- Unavailable revenue occurs only under the modified accrual basis of accounting and is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenue from property taxes and other receivables not collected within 45 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Lease-related amounts are recognized at the inception of leases in which the Town is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner of the term of the lease.

L – Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's 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.

M – Compensated Absences

The Town has policies that allow for the accumulation of limited amounts of paid time off until termination or retirement. The amounts of such absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded when the leave: (1) has been earned for service previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment.

N – Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as an expenditure. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

O – Net Position/Fund Balance

Net position in the government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental fund.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.
- **Restricted** – 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** – Amounts constrained to specific purposes by the Town, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by Council.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only 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).

P – Restricted Resources

Unless stipulated by grant or other governmental restriction, the Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Q – Interfund Transfers

The composition of inter-fund transfers is as follows:

	Total Transferred out	Total Transferred In
Transferred out:		
Primary government:		
Governmental activities:		
General Fund	\$ (267,814)	\$ 461,195
Capital Projects Fund	-	267,814
Business-type activities:		
Water and Sewer Fund	(461,195)	-
Total inter-fund transfers	\$ (729,009)	\$ 729,009

The transfer from the water and sewer fund to the general fund is to support the general operating expenditures of the Town. The transfer from the general fund to the capital projects fund was for capital asset purchases.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

R – Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. The Town does not have any encumbrances as of year-end.

S – Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

T – Change in Accounting Principle

During 2025, the Town adopted GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 established new guidance by updating the recognition and measurement for compensated absences. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. In 2025, the Town also implemented the guidance of GASB No. 87, *Leases*, which for lessors requires recognizing a lease receivable and deferred inflows of resources in the financial statements. As stated in GASB Statement No. 100, *Accounting Changes and Error Corrections*, a change in accounting principle should be reported retroactively by restating beginning net position for the cumulative effect of the change of the newly adopted accounting principle on prior periods. Implementation of the statements requires a restatement of net position in the earliest year presented. This is included in Note 12.

Note 2 – Deposits and Investments

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 Financial Statements

June 30, 2025

Deposits and investments consist of the following:

Deposits	\$ 370,438
Investments	8,378,767
Total deposits and investments	\$ 8,749,205
Reconciliation of deposits and investments to Exhibit 1	
Cash and cash equivalents	\$ 370,438
Investments	4,730,852
Cash and cash equivalents, restricted	3,647,915
Total deposits and investments	\$ 8,749,205

Investments

Investment Policy

Statutes authorize the Town to invest in obligations of the United States of America 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 corporate notes; banker’s acceptances; repurchase agreements; the Virginia State Non-Arbitrage Program (SNAP); and Virginia Investment Pool – Stable NAV Liquidity Pool (VIP).

As of June 30, 2025, the town’s investments consisted of the following:

Type	Value	S&P Credit Rating
Virginia Investment Pool – Stable NAV Liquidity Pool	\$ 7,659,235	AAAm
20XX		
20XX		
20XX		
20XX-20XX		
Virginia State Non-Arbitrage Program	719,532	AAAm
Total investments	\$ 8,378,767	

*- Average Maturity in Years

Credit Risk

As required by state statute, commercial paper must have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of \$50 million and its long-term debt is rated A or better by Moody’s and Standard & Poor’s. Bankers acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service and a rating of at least AA by Standard & Poor’s and AA by Moody’s Investor Service for maturities over one year and not exceeding five years. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated "A" or better by Moody's and Standard & Poor's.

Concentration of Credit Risk

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Custodial Credit Risk

As required by the *Code of Virginia*, all security holdings with maturities over 30 days must be registered in the Town's name. As of June 30th, the Town has no investments subject to custodial credit risk.

Note 3 – Receivables

Receivables are as follows:

	Water and Sewer	General
Property Taxes	\$ -	\$ 98,076
Trade and other accounts	199,986	4,584
Total receivables	<u>\$ 199,986</u>	<u>\$ 102,660</u>

Note 4 – Due from Other Governmental Units

Amounts due from other governmental units are as follows:

Commonwealth of Virginia	\$ 6,531
Loudoun County, Virginia	54,000
	<u>\$ 60,531</u>

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Note 5 – Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning* Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,445,067	\$ -	\$ -	\$ 1,445,067
Construction in progress	-	369,235	-	369,235
Total capital assets, not depreciated	<u>1,445,067</u>	<u>369,235</u>	<u>-</u>	<u>1,814,302</u>
Capital assets, depreciated				
Buildings and improvements	594,594	10,370	-	604,964
Parks and improvements	1,002,386	-	-	1,002,386
Furniture and fixtures	22,937	-	-	22,937
Equipment	99,010	16,309	-	115,319
Streets, sidewalks, and improvements	1,707,026	-	-	1,707,026
Total capital assets, depreciated	<u>3,425,953</u>	<u>26,679</u>	<u>-</u>	<u>3,452,632</u>
Less: Accumulated depreciation:				
Buildings and improvements	272,966	16,192	-	289,158
Parks and improvements	205,778	56,372	-	262,150
Furniture and fixtures	22,937	-	-	22,937
Equipment	94,372	2,406	-	96,778
Streets, sidewalks, and improvements	217,374	111,024	-	328,398
Total accumulated depreciated	<u>813,427</u>	<u>185,994</u>	<u>-</u>	<u>999,421</u>
Total capital assets, depreciated, net	<u>2,612,526</u>	<u>(159,315)</u>	<u>-</u>	<u>2,453,211</u>
Governmental activities capital assets, net	<u><u>\$ 4,057,593</u></u>	<u><u>\$ 209,920</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,267,513</u></u>

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

<u>Business-Type Activities</u>	<u>Beginning*</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not depreciated				
Land	\$ 541,464	\$ 257,975	\$ -	\$ 799,439
Construction in progress	384,833	3,303,098	29,444	3,658,487
Total capital assets, not depreciated	<u>926,297</u>	<u>3,561,073</u>	<u>29,444</u>	<u>4,457,926</u>
Capital assets, depreciated				
Buildings and improvements	6,090,470	-	-	6,090,470
Utility distribution systems	23,076,105	-	-	23,076,105
Machinery and equipment	3,112,678	234,721	-	3,347,399
Total capital assets, depreciated	<u>32,279,253</u>	<u>234,721</u>	<u>-</u>	<u>32,513,974</u>
Less: Accumulated depreciation				
Buildings and improvements	3,327,336	158,116	-	3,485,452
Utility distribution systems	7,198,547	546,636	-	7,745,183
Machinery and equipment	1,656,171	157,871	-	1,814,042
Total accumulated depreciation	<u>12,182,054</u>	<u>862,623</u>	<u>-</u>	<u>13,044,677</u>
Total capital assets, depreciated, net	<u>20,097,199</u>	<u>(627,902)</u>	<u>-</u>	<u>19,469,297</u>
Business-type activities capital assets, net	<u>\$ 21,023,496</u>	<u>\$ 2,933,171</u>	<u>\$ 29,444</u>	<u>\$ 23,927,223</u>

*Beginning balances were restated as a result of the prior period adjustments. See Note 12 for the prior period adjustments.

Depreciation and amortization expense were charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 74,970
Public works	111,024
Total depreciation and amortization expense – governmental activities	<u>\$ 185,994</u>
Business-type activities	
Water and sewer	<u>\$ 862,623</u>

Note 6 – Unavailable Revenue

The following is a summary of unavailable revenue:

Real estate tax (unavailable)	\$ 55,433
Personal property tax (unavailable)	44,511
Vehicle license (unavailable)	1,557
Total unavailable	<u>\$ 101,501</u>

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Note 7 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year:

Governmental Activities	Beginning Balance*	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 54,977	\$ -	\$ 4,261	\$ 50,716	\$ 5,072
Total governmental activities	<u>\$ 54,977</u>	<u>\$ -</u>	<u>\$ 4,261</u>	<u>\$ 50,716</u>	<u>\$ 5,072</u>

Business-type Activities	Beginning Balance*	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 5,865,000	\$ -	\$ 343,000	\$ 5,522,000	\$ 363,000
Compensated absences	114,200	-	24,183	90,017	9,002
Premiums on bonds	589,927	-	110,427	479,500	100,575
Total business-type activities	<u>\$ 6,569,127</u>	<u>\$ -</u>	<u>\$ 477,610</u>	<u>\$ 6,091,517</u>	<u>\$ 472,577</u>

*Beginning balances were restated as a result of the prior period adjustments. See Note 12 for the prior period adjustments.

Changes to compensated absences are shown net.

Details of long-term indebtedness

	Business-Type Activities
General obligation bonds:	
\$4,240,000 General Obligation 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.	\$ 3,005,000
\$2,600,000 Virginia Resources Authority general obligation refunding bond, series 2023, 20-year bond dated October 1, 2023, at a varying interest rate of 5.09%, due in 20 annual principal installments starting October 1, 2024	<u>2,517,000</u>
Total general obligation bonds	<u><u>\$ 5,522,000</u></u>

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

The annual requirements to maturity for general obligation debt are as follows:

Fiscal Year	Business-type Activities	
	Principal	Interest
2026	\$ 363,000	\$ 257,836
2027	377,000	243,355
2028	402,000	218,545
2029	417,000	203,380
2030	442,000	177,326
2031-2035	2,118,000	558,507
2036-2040	809,000	258,341
2041-2045	594,000	46,370
	\$ 5,522,000	\$ 1,963,660

Note 8 – Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Round Hill, Virginia (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent 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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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:

- <https://www.varetire.org/retirement-plans/defined-benefit/plan1/>
- <https://www.varetire.org/retirement-plans/defined-benefit/plan2/>
- <https://www.varetire.org/retirement-plans/hybrid/>

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Members
Inactive members or their beneficiaries currently receiving benefits	13
Inactive members:	
Vested inactive members	5
Non-Vested inactive members	6
Inactive members active elsewhere in VRS	6
Total inactive members	17
Active members	11
Total covered employees	41

Town of Round Hill, Virginia

Notes to Financial Statements

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Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Political Subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2025, was 7.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were \$53,340 and \$72,970 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$3,109 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$2,347 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$12,156 for the year ended June 30, 2025.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
General Employees – Salary increases, including inflation	3-50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better-fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%

*Expected arithmetic nominal return

7.07%

* The above allocation provides for a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rate. 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.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balance at June 30, 2023	\$ 2,881,786	\$ 2,997,930	\$ (116,144)
Changes for the year:			
Services cost	98,317	-	98,317
Interest	198,197	-	198,197
Difference between expected and actual experience	35,595	-	35,595
Contributions – employer	-	66,399	(66,399)
Contributions – employee	-	48,644	(48,644)
Net investment income	-	293,559	(293,559)
Benefit payments, including refunds of employee contributions	(87,699)	(87,699)	-
Administrative expenses	-	(1,772)	1,772
Other changes	-	68	(68)
Net changes	244,410	319,199	(74,789)
Balances at June 30, 2024	\$ 3,126,196	\$ 3,317,129	\$ (190,933)

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability/(asset)	\$ 244,222	\$ (190,933)	\$ (551,456)

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

For the year ended June 30, 2025, the Political Subdivision recognized a pension expense of \$31,648. At June 30, 2025, the Political Subdivision 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	\$ 16,354	\$ 8,041
Net difference between projected and actual earnings on pension plan investments	-	83,278
Employer contributions subsequent to the measurement date	53,340	-
Total	\$ 69,694	\$ 91,319

The \$53,340 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2026. 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 Ending June 30,	Effect on Pension Expense
2026	\$ (61,301)
2027	21,317
2028	(16,915)
2029	(18,066)
2030	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Payables to the Pension Plan

At June 30, 2025, approximately \$4,616 was payable to the Virginia Retirement System for the legally required contributions related to June 2025 payroll.

Note 9 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in one cost-sharing other postemployment benefit plan, described as follows.

Plan Description

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves, as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This Plan is considered a multiple-employer, cost-sharing plan.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:

Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.

Total rate:

1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution

³

June 30, 2025 Contribution

\$4,437

June 30, 2024 Contribution

\$5,573

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2024 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2025 proportionate share of liability	\$44,860
June 30, 2024 proportion	0.00402%
June 30, 2023 proportion	0.00458%
June 30, 2025 expense	\$426

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,075	\$ 1,096
Changes of assumptions	256	2,223
Net difference between projected and actual earnings on OPEB plan investments	-	3,781
Change in proportionate share	6,054	7,850
Employer contributions subsequent to the measurement date	4,437	-
Total	\$ 17,822	\$ 14,950

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ending June 30,	Effect on GLI expense
2026	\$ (1,305)
2027	1,144
2028	(960)
2029	(125)
2030	(319)
Thereafter	-

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Note 8.

Net OPEB Liabilities

The net OPEB liabilities represent the VRS total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' net OPEB liability	1,115,922
Plan fiduciary net position as a percentage of total OPEB liability	73.41%

The total liability is calculated by the VRS actuary and each Plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS investments was determined in a manner similar to that of the VRS pension described in Note 8.

Discount Rate

The discount rate used to measure the GLI OPEB liabilities 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 Guidance 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

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

June 30, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it was calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ <u>69,763</u>	\$ <u>44,860</u>	\$ <u>24,742</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2025, the Town had \$384 payable to the Virginia Retirement System for the legally required contributions related to June 2025 payroll.

Note 10 – 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 with other municipalities in the Commonwealth of Virginia in a public entity risk pools that operate as a common risk management and insurance programs for member municipalities. The Town is not self-insured. The risk pools include:

The Town has insurance coverage with the Virginia Risk Sharing Association Liability Pool (VRSA) Insurance Programs. The Town has workers compensation coverage with the VRSA. During the fiscal year, the Town paid premiums of approximately \$50,640 in Workers Compensation to VRSA.

The Town has general and excess liability, automobile, property, boiler and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with VRSA. During the fiscal year, the Town paid contributions of approximately \$12,123 to the VRSA.

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 11 – Leases

During 2025, the Town implemented the guidance of GASB No. 87, *Leases*. In instances where the Town is the lessor, the significant leases are described below.

A summary of significant leases as the lessor is as follows:

In October 2023, the Town entered into a lease as lessor with Verizon for the use of a tower site for 60 months. As of June 30, 2025, the value of the lease receivable is \$244,245. The lessee is required to make monthly fixed payments of \$5,833 and the lease has an interest rate of 4%. Payment will increase by 3% annually each September 30th. The value of the deferred inflow of resources as of June 30, 2025, was \$239,784 and the Town recognized lease revenue of \$73,831 during the fiscal year.

In October 2023, the Town entered into a lease as lessor with AT&T for the use of a tower site for 60 months. As of June 30, 2025, the value of the lease receivable is \$95,795. The lessee is required to make monthly fixed payments of \$4,200 and the lease has an interest rate of 3%. The value of the deferred inflow of resources as of June 30, 2025, was \$83,349 and the Town recognized lease revenue of \$87,599 during the fiscal year.

In October 2023, the Town entered into a lease as lessor with T-Mobile for the use of a tower site for 147 months. As of June 30, 2025, the value of the lease receivable is \$720,403. The lessee is required to make monthly fixed payments of \$4,324 and the lease has an interest rate of 4%. Payment will increase by 4% annually each September 30th. The value of the deferred inflow of resources as of June 30, 2025, was \$706,544 and the Town recognized lease revenue of \$53,824 during the fiscal year.

The lease receivables are due as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 142,014	\$ 35,547
2027	155,134	26,777
2028	171,473	14,565
2029	89,340	2,490
2030	61,916	1,551
2031-2035	348,768	4,556
2036-2040	91,798	215
	<u>\$ 1,060,443</u>	<u>\$ 85,701</u>

Town of Round Hill, Virginia

Notes to Financial Statements

June 30, 2025

Note 12 – Prior Period Restatement

During 2025, there were several errors discovered relating to the prior year balances. The beginning fund balance and net position had to be restated as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Water and Sewer</u>
Fund balance, June 30, 2024, as previously reported	\$ 1,868,727	\$ (512,837)	\$ 19,298,463
Restated amounts	(2,332)	628,044	413,761
Net position, June 30, 2024, as restated	<u>\$ 1,866,395</u>	<u>\$ 115,207</u>	<u>\$ 19,712,224</u>

Restatements for governmental and business-type activities were made to correct errors in fiscal year 2024. These corrections were made to several accounts including, investments, receivables, taxes, compensated absences, and construction in progress. The beginning net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, June 30, 2024, as previously reported	\$ 5,402,945	\$ 19,298,463
Restated amounts	736,146	413,761
Net position, June 30, 2024, as restated	<u>\$ 6,139,091</u>	<u>\$ 19,712,224</u>

Note 13 – New Accounting Standards

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.



Required Supplementary Information

Town of Round Hill, Virginia
Required Supplementary Information
Schedule of Changes in Net Pension Asset and Related Ratios
June 30, 2025

	Plan Year						
	2024	2023	2022	2021	2020	2019	2018
Total Pension Liability							
Service cost	\$ 98,317	\$ 112,467	\$ 105,686	\$ 98,330	\$ 79,502	\$ 76,278	\$ 87,881
Interest on total pension liability	198,197	188,229	164,734	137,497	123,000	128,014	115,023
Difference between expected and actual experience	35,595	(58,291)	154,909	36,758	77,866	(206,586)	41,384
Changes of assumptions	-	-	-	105,952	-	60,145	-
Benefit payments, including refunds of employee contributions	(87,699)	(73,461)	(94,621)	(66,778)	(64,417)	(64,397)	(53,016)
Net change in total pension liability (asset)	244,410	168,944	330,708	311,759	215,951	(6,546)	191,272
Total pension liability - beginning	<u>2,881,786</u>	<u>2,712,842</u>	<u>2,382,134</u>	<u>2,070,375</u>	<u>1,854,424</u>	<u>1,860,970</u>	<u>1,669,698</u>
Total pension liability - ending	<u>3,126,196</u>	<u>2,881,786</u>	<u>2,712,842</u>	<u>2,382,134</u>	<u>2,070,375</u>	<u>1,854,424</u>	<u>1,860,970</u>
Plan Fiduciary Net Position							
Contributions - employer	66,399	71,723	31,533	31,852	38,017	32,966	35,848
Contributions - employee	48,644	51,492	45,297	44,850	39,673	34,080	40,763
Net investment income (loss)	293,559	182,648	(3,476)	602,058	40,782	134,062	136,558
Benefit payments, including refunds of employee contributions	(87,699)	(73,461)	(94,621)	(66,778)	(64,417)	(64,397)	(53,016)
Administrative expenses	(1,772)	(1,731)	(1,720)	(1,448)	(1,347)	(1,285)	(1,135)
Other	68	74	65	57	(49)	(85)	(124)
Net change in plan fiduciary net position	319,199	230,745	(22,922)	610,591	52,659	135,341	158,894
Plan fiduciary net position - beginning	<u>2,997,930</u>	<u>2,767,185</u>	<u>2,790,107</u>	<u>2,179,516</u>	<u>2,126,857</u>	<u>1,991,516</u>	<u>1,832,622</u>
Plan fiduciary net position - ending	<u>3,317,129</u>	<u>2,997,930</u>	<u>2,767,185</u>	<u>2,790,107</u>	<u>2,179,516</u>	<u>2,126,857</u>	<u>1,991,516</u>
Net pension asset - ending	<u>\$ (190,933)</u>	<u>\$ (116,144)</u>	<u>\$ (54,343)</u>	<u>\$ (407,973)</u>	<u>\$ (109,141)</u>	<u>\$ (272,433)</u>	<u>\$ (130,546)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>106%</u>	<u>104%</u>	<u>102%</u>	<u>117%</u>	<u>105%</u>	<u>115%</u>	<u>107%</u>
Covered payroll	<u>\$ 1,032,109</u>	<u>\$ 1,079,751</u>	<u>\$ 1,041,292</u>	<u>\$ 979,649</u>	<u>\$ 933,789</u>	<u>\$ 797,695</u>	<u>\$ 694,317</u>
Net pension asset as a percentage of covered payroll	<u>-18%</u>	<u>-11%</u>	<u>-5%</u>	<u>-42%</u>	<u>-12%</u>	<u>-34%</u>	<u>-19%</u>

The Plan years above are reported in the entity's financial statements in the fiscal year following the Plan year - i.e., Plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

Town of Round Hill, Virginia
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2025

Town Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
2025	\$ 53,340	\$ 53,340	\$ -	\$ 944,074	5.65%
2024	72,970	72,970	-	1,032,109	7.07%
2023	71,723	71,723	-	1,079,751	6.64%
2022	31,533	31,533	-	1,041,292	3.03%
2021	31,852	31,852	-	979,649	3.25%
2020	38,017	38,017	-	933,789	4.07%
2019	32,966	32,966	-	797,695	4.13%
2018	35,848	35,848	-	694,317	5.16%

The covered payroll amounts above are for the fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

Town of Round Hill, Virginia
Required Supplementary Information
Schedule of Employer's Share of Net OPEB Liability and Related Ratios
June 30, 2025

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2024	0.00402%	\$ 44,860	\$ 1,032,109	4.35%	73.41%
2023	0.00458%	54,929	1,079,751	5.09%	69.30%

Schedules are intended to show information for 10 years. Information prior to 2023 is not available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is twelve months prior to the entity's fiscal year.

Schedule of OPEB Contributions
June 30, 2025

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2025	\$ 4,437	\$ 4,437	-	\$ 944,074	0.47%
2024	5,573	5,573	-	1,032,109	0.54%

Schedules are intended to show information for 10 years. Information prior to 2024 is not available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

Town of Round Hill, Virginia
Notes to Required Supplementary Information Statements
June 30, 2025

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarial material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarial material changes to the System benefit provisions since the prior actuarial valuation.

Note 2 – Changes of Assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.

Town of Round Hill, Virginia

Notes to Required Supplementary Information Statements

June 30, 2025

- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better-fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.



Other Supplementary Information

Town of Round Hill, Virginia

General Fund

Schedule of Revenues and Other Financing Sources (Uses)- Budget and Actual

Year Ended June 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Sources of Revenues			
General property taxes			
Real property taxes	\$ 109,897	\$ 112,286	\$ 2,389
Personal property taxes	100,000	84,337	(15,663)
Penalties	-	3,613	3,613
Interest	-	725	725
Total property taxes	<u>\$ 209,897</u>	<u>\$ 200,961</u>	<u>\$ (8,936)</u>
Other local taxes			
Sales taxes	\$ 87,610	\$ 89,359	\$ 1,749
Consumer utility tax	11,470	10,381	(1,089)
Cigarette tax	19,719	15,552	(4,167)
Total other local taxes	<u>\$ 118,799</u>	<u>\$ 115,292</u>	<u>\$ (3,507)</u>
Permits, Fees, and Licenses			
Business licenses	\$ 27,311	\$ 37,428	\$ 10,117
Motor vehicle licenses	12,000	15,550	3,550
Zoning permits	2,000	5,950	3,950
Total permits, fees, and licenses	<u>\$ 41,311</u>	<u>\$ 58,928</u>	<u>\$ 17,617</u>
Revenues from use of money and property			
Cell antenna revenue	\$ 167,094	\$ 212,802	\$ 45,708
Office rental income	14,000	12,660	(1,340)
Interest income	-	51,078	51,078
Total revenues from use of money and property	<u>\$ 181,094</u>	<u>\$ 276,540</u>	<u>\$ 95,446</u>
Miscellaneous			
Town events	\$ 12,600	\$ 19,770	\$ 7,170
Other	6,750	6,980	230
Total miscellaneous revenue	<u>\$ 19,350</u>	<u>\$ 26,750</u>	<u>\$ 7,400</u>

Town of Round Hill, Virginia

General Fund

Schedule of Revenues and Other Financing Sources (Uses) - Budget and Actual

Year Ended June 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Sources of revenues (Continued)			
Intergovernmental			
Communication tax	\$ 9,000	\$ 9,037	\$ 37
State grants	5,500	6,338	838
State aid - fire department	10,000	15,000	5,000
State aid - personal property	18,613	18,613	-
Total intergovernmental	<u>\$ 43,113</u>	<u>\$ 48,988</u>	<u>\$ 5,875</u>
 Total general fund revenues	 <u>\$ 613,564</u>	 <u>727459.43</u>	 <u>\$ 113,895</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 466,308	\$ 461,195	\$ (5,113)
Transfers out	(279)	(267,814)	(267,535)
Total other financing sources (uses)	<u>\$ 466,029</u>	<u>\$ 193,381</u>	<u>\$ (272,648)</u>
Total general fund revenues and other financing sources (uses)	<u><u>\$ 1,079,593</u></u>	<u><u>\$ 920,840</u></u>	<u><u>\$ (158,753)</u></u>

Town of Round Hill, Virginia

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government			
Personal services	\$ 549,957	\$ 443,756	\$ (106,201)
Fringe benefits	145,664	115,855	(29,809)
Professional services	38,050	44,023	5,973
Subcontractors	15,000	10,159	(4,841)
Office and related expenses	33,030	25,828	(7,202)
Information technology	25,000	22,363	(2,637)
Utilities	12,105	10,809	(1,296)
Insurance	17,486	18,554	1,068
Training and education	16,705	6,052	(10,653)
Contingencies and miscellaneous	33,969	22,772	(11,197)
Total general government	<u>\$ 886,966</u>	<u>\$ 720,171</u>	<u>\$ (166,795)</u>
Public Safety			
Fire department	\$ 17,000	\$ 17,000	\$ -
Total public safety	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ -</u>
Public works			
Refuse recycling and pickup	\$ 72,267	\$ 79,067	\$ 6,800
Streets and sidewalk maintenance	10,000	10,859	859
Street lighting	9,450	7,475	(1,975)
Total public works	<u>\$ 91,717</u>	<u>\$ 97,401</u>	<u>\$ 5,684</u>
Parks, recreation, and culture			
Culture grants	\$ 10,000	\$ 9,000	\$ (1,000)
Newsletter	1,500	1,875	375
Park maintenance	32,410	44,116	11,706
Events	40,000	41,189	1,189
Total parks, recreation, and culture	<u>\$ 83,910</u>	<u>\$ 96,180</u>	<u>\$ 12,270</u>
Total General Fund expenditures	<u><u>\$ 1,079,593</u></u>	<u><u>\$ 930,752</u></u>	<u><u>\$ (148,841)</u></u>



Compliance Section





Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of Town Council
Town of Round Hill, Virginia
Round Hill, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Round Hill, Virginia (the “Town”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. **We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.**



Report on Compliance and Other Matters

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

Town of Round Hill's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia

March 26, 2026

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of Town Council
Town of Round Hill, Virginia

Report on Compliance for the Major Federal Program

Opinion on Compliance for the Major Program

We have audited Town of Round Hill’s (the “Town”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Town’s major federal program for the year ended June 30, 2025. The Town’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect the major federal program for the year ended June 30, 2025.


Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Round Hill and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Town’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance the requirements of each major federal program as a whole.


In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in



internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
March 26, 2026

Town of Round Hill, Virginia

Summary Compliance Matters

June 30, 2025

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

Town of Round Hill, Virginia
Schedule of Findings and Questioned Costs
 June 30, 2025

A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **Two material weakness** relating to the audit of the financial statements were reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major programs**.
7. The program(s) tested as major were:

Name of Program	Assistance Listing Number
COVID-19 – Coronavirus State and Local Fiscal Recovery Fund	21.027

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Town was **not** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

2025-001: Government Accounts Receivable (Material Weakness)

Condition The Town does not separately track taxes that are billed and collected by the County of Loudoun

Criteria Governmental revenue should be tracked internally within the Town.

Cause Details for prior years and other information is not properly reconciled by the Town and they rely on the services provided by Loudoun County.

Effect The Town could potentially miss important information with regards to their tax revenue.

Recommendation We recommend performing a reconciliation of the total amount owed to the Town, as well as tracking delinquent taxes from prior years. With a reconciliation, the Town will be able to properly estimate an allowance and calculate deferred revenue for the fiscal year.

Management’s Response Management understands the concern expressed with this finding and is working to correct these issues.

2025-002: Inventory (Material Weakness)

Condition The Town estimates their year end inventory.

Criteria Inventory should be tracked throughout the year to properly calculate the value and balance at year end.

Town of Round Hill, Virginia
Schedule of Findings and Questioned Costs
June 30, 2025

Cause Inventory is not tracked throughout the year, nor was an observation performed at year end.

Effect Inventory value could be over or under estimated.

Recommendation We recommend that inventory be tracked throughout the year and an inventory observation be performed at year end to ensure accuracy and proper valuation of the inventory listing.

Management's Response The Town recognizes that inventory tracking is an essential operation. The Town is purchasing maintenance software that has a module for inventory tracking to aid in this requirement. The Town will have an accurate inventory on the last day of fiscal year starting in FY26 and the proceeding years from there on.

C – Findings and Questioned Costs – Major Federal Award Program Audit

None.

Town of Round Hill, Virginia
Summary Schedule of Prior Audit Findings
June 30, 2025

A – Findings – Financial Statement Audit

2024-001:

Condition The Town currently lacks sufficient technical knowledge to prepare financial statements in conformity with accounting principles generally accepted in the United States of America.

Recommendation It is recommended that Town staff obtain additional technical training or use a third-party consultant to prepare the financial statements free of material misstatement.

Current Status In 2025, the Town hired a third-party CPA to assist them with their financial statement reporting. This comment has been resolved.

2024-002:

Condition The Town's current accounting software does not allow for financial reports to be run for a certain period, leading to inaccurate reporting.

Recommendation It is recommended that Town use a third-party consultant to prepare financials that are materially correct before the audit begins.

Current Status No longer applicable. Town did hire third-party accountant to assist before the audit began for 2025.

Town of Round Hill, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Amounts Passed Thru to Sub-recipients	Cluster Amounts	Federal Expenditures
Department of the Treasury:					
Pass-Through Payments:					
Loudoun County, Virginia					
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	N/A	N/A	<u>\$ 1,500,000</u>
Total Department of Treasury					<u>1,500,000</u>
U.S. Environmental Protection Agency:					
Pass Through Payments:					
Virginia Resources Authority					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	4L-95306801	N/A	N/A	<u>28,600</u>
Total U.S. Environmental Protection Agency					<u>28,600</u>
Total Expenditures of Federal Awards					<u><u>\$ 1,528,600</u></u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the Town of Round Hill, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the Town of Round Hill's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

NOTE 2 - DE MINIMIS INDIRECT COST RATE:

The entity did not elect to use the 10% de minimis indirect cost rate.

NOTE 5 - OUTSTANDING LOAN BALANCES:

At June 30, 2025, the Town had no outstanding loan balances requiring continuing disclosure.