

TOWN OF ROUND HILL, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

**FOR THE FISCAL YEAR ENDED
June 30, 2017**

**TOWN OF ROUND HILL, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2017**

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**TOWN OF ROUND HILL, VIRGINIA
JUNE 30, 2017**

MAYOR AND TOWN COUNCIL

Scott T. Ramsey, Mayor

Mary Anne Graham, Vice Mayor

Michael Hummel

Janet L. Heston

Michael Minshall

Frederick J. Lyne

Christopher J. Prack

OFFICIALS

Amos N. Nicholson, Jr., Town Administrator

Melissa K. Hynes, Town Planner/Zoning Administrator

Angela Fletcher, Treasurer

LEGAL COUNSEL

Maureen K. Gilmore

MITCHELL & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Round Hill, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Round Hill, Virginia, as of June 30, 2017, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Round Hill, Virginia's, basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 16, 2017
Leesburg, Virginia

Mitchell & Co., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Round Hill, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Round Hill, Virginia for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$22,706,792.
- The Town's total net position increased by \$490,514 before the prior period proffer reserve reclassification.
- As of the close of the current fiscal year, the Town of Round Hill's governmental funds reported combined ending fund balances of \$2,910,537, an increase of \$135,034 in comparison with the prior year. Total amount, \$683,405, is available for spending at the government's discretion.
- The Town's total bonded debt decreased by \$220,000 (3.61% percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-53 of this report.

Supplementary Information. A detailed schedule of general fund revenue and expenditures along with additional supplementary information are presented immediately following the notes to the financial statements. This supplementary information can be found on pages 54-56 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Round Hill, Virginia, assets exceeded liabilities by \$22,706,792 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Round Hill uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a summary of the Town's net position by type of activity as of June 30, 2017.

	Governmental	Business-type	
	Activities	Activities	Total
<hr/>			
Assets			
Current and other assets	\$ 2,071,255	\$ 4,959,377	\$ 7,030,632
Capital assets	2,070,781	20,842,139	22,912,920
Total Assets	4,142,036	25,801,516	29,943,552
<hr/>			
Deferred Outflows of Resources	36,122	378,973	415,095
<hr/>			
Liabilities			
Long-term liabilities	9,809	6,128,004	6,137,813
Other liabilities	1,257,812	256,230	1,514,042
Total Liabilities	1,267,621	6,384,234	7,651,855
<hr/>			
Deferred Inflows of Resources	-	-	-
<hr/>			
Net Position			
Net investment in capital assets	2,070,781	14,973,815	17,044,596
Unrestricted	839,756	4,822,440	5,662,196
Total Net Position	\$ 2,910,537	\$ 19,796,255	\$ 22,706,792

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

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

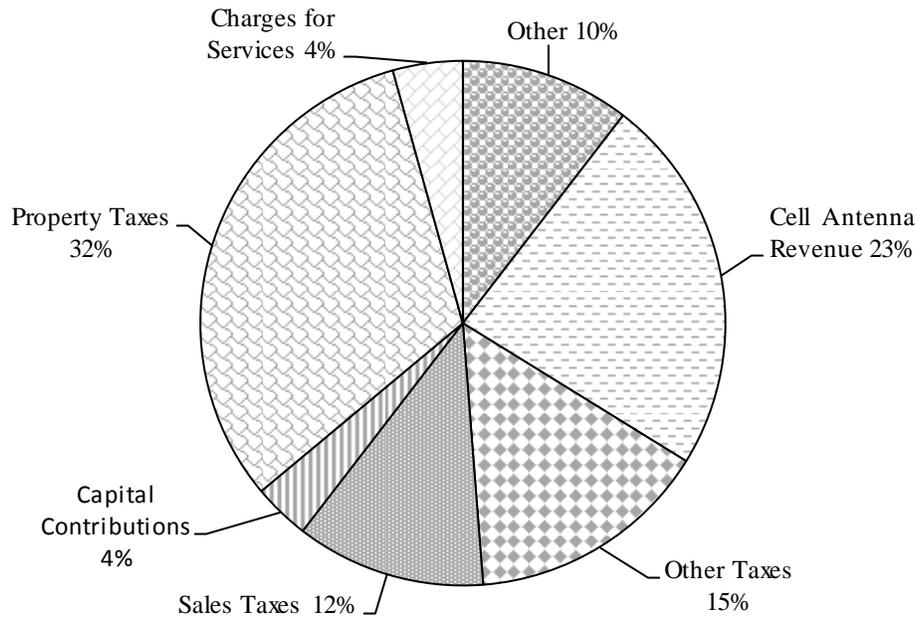
The Town's net position increased by \$490,514 before prior period proffer reserve reclassification during the current fiscal year.

Governmental activities. Governmental activities increased the Town's net position by \$365,034. These changes are presented in column one of the following table:

TOWN OF ROUND HILL - CHANGES IN NET POSITION			
	Governmental Activities	Business-type Activities	Total
Program Revenues			
Charges for services	\$ 17,016	\$ 1,904,776	\$ 1,921,792
Operating grants and contributions	41,421	-	41,421
Capital grants and contributions	186,658	736,132	922,790
General Revenues			
Property taxes	202,250	-	202,250
Other taxes and licenses	155,113	-	155,113
Cell antenna revenue	139,388	-	139,388
Other	31,434	5,616	37,050
Total Revenues	773,280	2,646,524	3,419,804
Expenses			
General government	562,543	-	562,543
Public safety	16,883	-	16,883
Public works	14,788	-	14,788
Water and Sewer	-	2,335,076	2,335,076
Total Expenses	594,214	2,335,076	2,929,290
Transfers	185,968	(185,968)	-
Increase in Net Position	365,034	125,480	490,514
Proffer Reclssification	(230,000)	-	(230,000)
Net Position - 07/01/16	2,775,503	19,670,775	22,446,278
Net Position - 06/30/17	\$ 2,910,537	\$ 19,796,255	\$ 22,706,792

The following chart presents a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2017.

Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the Town's net position by \$125,480, accounting for 26 percent of the growth in the Town's net position. Key elements of this increase are as follows.

- Increased water and sewer revenue from an increase in the number of users and user rate increases.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Round Hill's governmental funds reported ending fund balances of \$764,743, an increase of \$173,871 in comparison with the prior year. Of this fund balance amount, \$683,405 is unassigned fund balance, which is available for spending at the government's discretion.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$764,743. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$591,281 is about 75% of the total general fund expenditures of 783.459.

The fund balance of the Town of Round Hill, Virginia's general fund increased by \$173,871 during the current fiscal year. The key factors in this increase were capital intergovernmental contributions for public improvements.

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

Net position of the water and sewer fund at the end of the year amounted to \$19,796,255. The total growth in net position for proprietary funds was \$125,480. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Round Hill, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$22,912,920 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, and roads.

Major capital asset events during the current fiscal year include purchase of water meters, park improvements and purchase equipment, and sidewalk improvements during the year.

The table below summarizes the capital assets of the Town at June 30, 2017.

TOWN OF ROUND HILL - CAPITAL ASSETS			
(Net of accumulated depreciation)			
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,192,067	\$ 541,464	\$ 1,733,531
Buildings and improvements	106,671	3,546,281	3,652,952
Parks and improvements	247,697	-	247,697
Utility distribution systems	-	16,265,358	16,265,358
Furniture and fixtures	584	-	584
Machinery and equipment	11,741	489,036	500,777
Sidewalk improvements	512,021	-	512,021
Total	\$ 2,070,781	\$ 20,842,139	\$ 22,912,920

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

Long-term debt. At the end of the current fiscal year, the Town of Round Hill, Virginia had total bonded debt outstanding of \$5,875,000. This entire amount comprises debt backed by the full faith and credit of the government even though all of it will be repaid from proprietary fund revenue.

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

Requests for Information

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

TOWN OF ROUND HILL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 401,409	\$ 4,021,230	\$ 4,422,639
Certificates of deposit	442,843	545,403	988,246
Receivables (net, where applicable, of allowance for uncollectible)			
Property taxes, including penalties	15,660	-	15,660
Other fees and taxes	1,091	-	1,091
Accounts	-	304,765	304,765
Other	6,220	-	6,220
Due from other governments	21,936	-	21,936
Restricted assets, cash on deposit			
Reserve for proffers	1,159,188	-	1,159,188
Bond escrow funds	-	23,176	23,176
Customer deposits	-	16,853	16,853
Overfunded pension asset	22,908	47,950	70,858
Capital assets (net of accumulated depreciation)			
Land	1,192,067	541,464	1,733,531
Buildings and improvements	106,671	3,546,281	3,652,952
Parks and improvements	247,697	-	247,697
Utility distribution systems	-	16,265,358	16,265,358
Furniture and fixtures	584	-	584
Machinery and equipment	11,741	489,036	500,777
Streets, sidewalk and improvements	512,021	-	512,021
Total assets	4,142,036	25,801,516	29,943,552
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	302,322	302,322
Deferred pension obligation	36,122	76,651	112,773
Total deferred outflows	36,122	378,973	415,095
Liabilities			
Accounts payable and other liabilities	46,122	239,377	285,499
Public Improvement Escrow	36,664	-	36,664
Liabilities payable from restricted assets	-	16,853	16,853
Reserve for proffers	1,159,188	-	1,159,188
Noncurrent liabilities:			
Due within one year	15,838	235,000	250,838
Due in more than one year	9,809	5,893,004	5,902,813
Total liabilities	1,267,621	6,384,234	7,651,855
Deferred Inflows of Resources			
Deferred pension inflow	-	-	-
Net Position			
Net investment in capital assets	2,070,781	14,973,815	17,044,596
Restricted	156,351	-	156,351
Unrestricted	683,405	4,822,440	5,505,845
Total net position	\$ 2,910,537	\$ 19,796,255	\$ 22,706,792

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

**TOWN OF ROUND HILL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Capital Projects	Total Governmental
Assets			
Cash and cash equivalents	\$ 401,409	\$ -	\$ 401,409
Certificates of deposit	442,843	-	442,843
Restricted assets, cash on deposit			
Reserve for proffers	300,000	859,188	1,159,188
Receivables			
Property taxes	15,660	-	15,660
Other fees and taxes	1,091	-	1,091
Other	6,220	-	6,220
Due from other governments	21,936	-	21,936
Total assets	\$ 1,189,159	\$ 859,188	\$ 2,048,347
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other liabilities	\$ 46,122	\$ -	\$ 46,122
Public improvements escrow funds	36,664	-	36,664
Compensated absences	15,838	-	15,838
Post retirement benefits	9,809	-	9,809
Reserve for proffers	300,000	859,188	1,159,188
Total liabilities	408,433	859,188	1,267,621
Deferred Inflows of Resources			
Unavailable revenue	15,983	-	15,983
Fund balances			
Unassigned, reported in General Fund	608,392	-	608,392
Restricted	156,351	-	156,351
Total fund balances	764,743	-	764,743
Total liabilities and fund balances			
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,070,781	-	2,070,781
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	15,983	-	15,983
Pension obligation reporting	59,030	-	59,030
Net position of governmental activities	\$ 2,910,537	\$ -	\$ 2,910,537

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental
Revenues			
General property taxes	\$ 200,332	\$ -	\$ 200,332
Other local taxes	103,401	-	103,401
Permits, licenses, and fees	42,429	-	42,429
Revenues from use of money and property	152,209	-	152,209
Events/Sales/Other	13,091	-	13,091
Intergovernmental	246,704	-	246,704
Total revenues	758,166	-	758,166
Expenditures			
General government	554,667	-	554,667
Public safety	16,883	-	16,883
Public works	211,909	-	211,909
Total expenditures	783,459	-	783,459
(Deficiency) of revenues (under) expenditures	(25,293)	-	(25,293)
Other Financing Sources			
Transfers in	185,968	-	185,968
Capital contributions	13,196	-	13,196
Total other financing sources	199,164	-	199,164
Net change in fund balances	173,871	-	173,871
Proffer reclassification	(230,000)	-	(230,000)
Fund balance - beginning	820,872	-	820,872
Fund balance - ending	\$ 764,743	\$ -	\$ 764,743

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

TOWN OF ROUND HILL, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds	\$ 173,871
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	202,495
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(19,441)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,918
Pension funding obligation is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, pension obligation requirements are not reported as a liability in the governmental funds.	<u>6,191</u>
Change in net position of governmental activities	<u>\$ 365,034</u>

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

TOWN OF ROUND HILL, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenues			
General property taxes	\$ 171,500	\$ 200,332	\$ 28,832
Other local taxes	91,700	103,401	11,701
Permits, fees, and licenses	18,600	42,429	23,829
Revenues from use of money and property	154,158	152,209	(1,949)
Events/Sales/Other	11,000	13,091	2,091
Intergovernmental	424,113	246,704	(177,409)
Total revenues	871,071	758,166	(112,905)
Expenditures			
General government administration	536,669	554,667	(17,998)
Public safety	17,000	16,883	117
Public works	637,660	211,909	425,751
Total expenditures	1,191,329	783,459	407,870
(Deficiency) of revenues (under) expenditures	(320,258)	(25,293)	294,965
Other Financing Sources			
Transfers in	185,968	185,968	-
Capital contributions	20,241	13,196	(7,045)
Total other financing sources	206,209	199,164	(7,045)
Net change in fund balances	(114,049)	173,871	287,920
Proffer reclassification	-	(230,000)	287,920
Fund balances - beginning	820,872	820,872	-
Fund balances - ending	\$ 706,823	\$ 764,743	\$ 575,840

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
Assets		
Current assets		
Cash and cash equivalents	\$ 4,021,230	\$ 3,643,659
Certificates of deposits	545,403	530,859
Accounts receivable	304,765	275,920
Other receivable	-	53,933
Total current assets	<u>4,871,398</u>	<u>4,504,371</u>
Noncurrent assets		
Restricted assets, cash on deposit		
Bond escrow funds	23,176	26,449
Customer deposits	16,853	15,966
Total restricted assets	<u>40,029</u>	<u>42,415</u>
Overfunded pension asset	<u>47,950</u>	<u>114,750</u>
Capital assets		
Land, buildings, and structures	6,314,476	6,285,225
Utility distribution systems	20,477,784	20,519,705
Equipment	1,451,540	1,199,373
Less accumulated depreciation	<u>(7,401,661)</u>	<u>(6,801,654)</u>
Total capital assets (net of accumulated depreciation)	<u>20,842,139</u>	<u>21,202,649</u>
Total noncurrent assets	<u>20,930,118</u>	<u>21,359,814</u>
Total assets	<u>25,801,516</u>	<u>25,864,185</u>
Deferred Outflows of Resources		
Deferred charge on refunded debt	302,322	322,146
Deferred pension obligation	76,651	39,946
Total deferred outflows	<u>378,973</u>	<u>362,092</u>
Liabilities		
Current liabilities		
Accounts payable and other liabilities	239,377	99,337
Accrued interest payable	-	70,647
General obligation bonds - current	<u>235,000</u>	<u>220,000</u>
Total current liabilities	<u>474,377</u>	<u>389,984</u>
Current liabilities payable from restricted assets		
Customer deposits payable	16,853	15,966
Total current liabilities payable from restricted assets	<u>16,853</u>	<u>15,966</u>
Noncurrent liabilities		
Compensated absences	89,938	88,623
Post retirement benefits	33,250	23,250
Premium on bonds	113,316	120,399
Notes payable	16,500	16,500
General obligation bonds payable	<u>5,640,000</u>	<u>5,875,000</u>
Total noncurrent liabilities	<u>5,893,004</u>	<u>6,123,772</u>
Total liabilities	<u>6,384,234</u>	<u>6,529,722</u>
Deferred Inflows of Resources		
Deferred pension inflow	-	25,780
Net Position		
Net investment in capital assets	14,973,815	15,117,598
Unrestricted	<u>4,822,440</u>	<u>4,553,177</u>
Total net position	<u>\$ 19,796,255</u>	<u>\$ 19,670,775</u>

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

TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities	
	Water And Sewer Current Year	Memorandum Only Water And Sewer Prior Year
Operating revenues:		
Charges for services	\$ 1,846,249	\$ 1,668,478
Connection fees	42,400	125,375
Meter fees and miscellaneous revenue	16,127	16,281
Total operating revenues	1,904,776	1,810,134
Operating expenses:		
Personal services	568,371	592,052
Fringe benefits	189,985	169,946
Depreciation	603,819	505,917
Office expense	19,451	15,486
Truck expense	14,650	13,129
Engineering support	48,596	50,531
Supplies	103,887	107,475
Repairs and maintenance	288,059	153,075
Insurance	30,038	30,577
Utilities	114,740	111,817
Telephone	4,994	5,533
Licenses and permits	7,831	7,222
Miscellaneous	3,935	6,080
Sludge removal	19,777	9,428
Safety	3,307	1,713
Professional fees	26,313	33,092
Total operating expenses	2,047,753	1,813,073
Operating Income	(142,977)	(2,939)
Nonoperating revenues (expenses):		
Investment earnings	5,616	1,605
Interest and financing expenses	(267,499)	(278,098)
Accounting charge on refinancing	(19,824)	(19,824)
Gain on sale of capital assets	-	45,300
FEMA reimbursement	10,344	-
Total nonoperating (expenses)	(271,363)	(251,017)
Surplus (loss) before contributions and transfers	(414,340)	(253,956)
Transfers and capital contributions		
Availability fees	725,788	864,251
Capital contributions	-	7,968,765
Transfers (out)	(185,968)	(75,125)
Total transfers and capital contributions	539,820	8,757,891
Change in net position	125,480	8,503,935
Total net position - beginning of year	19,670,775	11,166,840
Total net position - end of year	\$ 19,796,255	\$ 19,670,775

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

**TOWN OF ROUND HILL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 1,929,864
Payments to suppliers	(544,148)
Payments to employees	(747,041)
Net cash provided by operating activities	<u>638,675</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(185,968)
Net cash (used in) capital and related financing activities	<u>(185,968)</u>
Cash Flows from Capital and Related Financing Activities	
Availability fees	725,788
Acquisition and construction of capital assets	(239,497)
Principal paid on capital debt	(220,000)
Interest and fees paid on capital debt	(345,229)
FEMA reimbursement	10,344
Net cash provided by capital and related financing activities	<u>(68,594)</u>
Cash Flows from Investing Activities	
Purchase of investments	(14,544)
Bond escrow funds released	3,273
Interest and dividends received	5,616
Net cash provided by investing activities	<u>(5,655)</u>
Net increase in cash and cash equivalents	378,458
Cash and cash equivalents July 1, 2016	<u>3,659,625</u>
Cash and cash equivalents June 30, 2017	<u>\$ 4,038,083</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ (142,977)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	603,819
Decrease in accounts receivable	25,088
Decrease in pension asset	26,283
Increase in post retirement benefits	10,000
Increase in accounts payable	140,040
Increase in customer deposits	887
Increase in compensated absences	1,315
(Decrease) in deferred pension	(25,780)
Total adjustments	<u>781,652</u>
Net cash provided by operating activities	<u>\$ 638,675</u>

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

1. Deposits and Investments

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

2. Receivables and Payables

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

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

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

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

3. Restricted Assets

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

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

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

4. Use of Estimates

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

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the utility fund during the current fiscal year was \$267,499.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

No interest expense was included as part of the cost of capital assets under construction in connection with water and sewer construction projects for FY17.

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

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

6. Compensated Absences

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

7. Reserve for Proffers

The general and capital projects funds report a liability for proffers of \$1,159,188. The Commonwealth of Virginia grants localities the ability to seek voluntary proffers from developers to offset costs for infrastructure and public services generated by development through the rezoning process. The Town's most common proffered cash contributions are those to offset future capital costs associated with public facilities and transportation improvements. Revenue from proffers is recognized by the Town as proffer projects are completed.

8. Long-term Obligations

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Outflows/Inflows of Resources

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

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

10. Fund Balance

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

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).

11. Net Position

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

E. Pensions

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, the general fund general government department expenditures exceeded appropriations by \$17,998.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

At year-end the carrying amount of the Town's deposits with banks and savings institutions was \$6,586,548 and the bank balance was \$6,909,297.

All of the Town's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying localities of compliance by banks and savings and loans. The funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below as to credit risk.

Investments

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

As of June 30, 2017, the Town's investments were held in bond escrow pooled accounts and not required to be categorized and are summarized as follows:

Type	Carrying Amount	Fair Value
Bond Escrow Pooled Funds	\$ 23,176	\$ 23,176

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

B. Receivables

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

	General	Utility	Total
Receivables:			
Delinquent taxes	\$ 15,660	\$ -	\$ 15,660
Accounts	-	304,765	304,765
Intergovernmental	21,936	-	21,936
Franchise, and utility taxes	1,091	-	1,091
Other	6,220	-	6,220
Net total receivables	<u>\$ 44,907</u>	<u>\$ 304,765</u>	<u>\$ 349,672</u>

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue reported in the governmental funds was \$15,983 representing delinquent property taxes in the general fund.

At June 30, 2017 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia - Fire Department, Communication Tax	\$ 10,098
Loudoun County - Sales Tax	11,838
	<u>\$ 21,936</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government

	Reclassified Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,127,067	\$ 65,000	\$ -	\$ 1,192,067
Total capital assets, not being depreciated	<u>1,127,067</u>	<u>65,000</u>	<u>-</u>	<u>1,192,067</u>
Capital assets, being depreciated:				
Buildings and improvements	315,568	-	-	315,568
Parks and improvements	292,238	17,111	-	309,349
Furniture and fixtures	22,938	-	-	22,938
Equipment	91,509	-	-	91,509
Streets, sidewalks and improvements	456,867	120,384	-	577,251
Total capital assets being depreciated	<u>1,179,120</u>	<u>137,495</u>	<u>-</u>	<u>1,316,615</u>
Less accumulated depreciation for:				
Buildings and improvements	(200,733)	(8,164)	-	(208,897)
Parks and improvements	(58,925)	(2,727)	-	(61,652)
Furniture and fixtures	(21,040)	(1,314)	-	(22,354)
Equipment	(76,455)	(3,313)	-	(79,768)
Sidewalk improvements	(61,307)	(3,923)	-	(65,230)
Total accumulated depreciation	<u>(418,460)</u>	<u>(19,441)</u>	<u>-</u>	<u>(437,901)</u>
Net capital assets being depreciated	<u>760,660</u>	<u>118,054</u>	<u>-</u>	<u>878,714</u>
Governmental activities capital assets, net	<u>\$ 1,887,727</u>	<u>\$ 183,054</u>	<u>\$ -</u>	<u>\$ 2,070,781</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 541,464	\$ -	\$ -	\$ 541,464
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>541,464</u>	<u>-</u>	<u>-</u>	<u>541,464</u>
Capital assets, being depreciated:				
Buildings and improvements	5,743,761	29,251	-	5,773,012
Utility distribution systems	20,363,583	114,201	-	20,477,784
Equipment	1,355,495	96,045	-	1,451,540
Total capital assets being depreciated	<u>27,462,839</u>	<u>239,497</u>	<u>-</u>	<u>27,702,336</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,071,762)	(154,969)	-	(2,226,731)
Utility distribution systems	(3,878,759)	(333,667)	-	(4,212,426)
Equipment	(851,133)	(111,371)	-	(962,504)
Total accumulated depreciation	<u>(6,801,654)</u>	<u>(600,007)</u>	<u>-</u>	<u>(7,401,661)</u>
Net capital assets being depreciated	<u>20,661,185</u>	<u>(360,510)</u>	<u>-</u>	<u>20,300,675</u>
Business-type activities capital assets, net	<u>\$ 21,202,649</u>	<u>\$ (360,510)</u>	<u>\$ -</u>	<u>\$ 20,842,139</u>

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

Activity	Depreciation
Governmental activities:	
General government administration	\$ 14,067
Public works	5,374
Total depreciation expense - governmental activities	<u>\$ 19,441</u>
Business-Type Activities:	
Water and sewer	<u>\$ 600,007</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

E. Long-Term Debt

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. A general obligation bond has been issued for proprietary activities. This bond is reported in the proprietary funds as it is expected to be repaid from proprietary fund revenues. General obligation bond is direct obligation and pledge the full faith and credit of the Town. These bond generally is issued as serial bond with amount of principal maturing each year. General obligation bond and note outstanding at June 30, 2017 are as follows:

Description	Amount
\$6,905,000 Virginia Resources Authority general obligation refunding bond, series 2009, 25 year bond dated June 17, 2009, at a varying interest rate of 1.125% to 5.030%, due in 25 annual principal installments starting October 1, 2009	<u>\$ 5,875,000</u>

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

Year ending June 30,	Business-type Activities	
	Principal	Interest
2018	235,000	265,891
2019	245,000	253,591
2020	255,000	241,153
2021	270,000	228,450
2022	285,000	216,278
2022 - 2024	1,615,000	876,091
2025 - 2029	2,030,000	462,566
2030 - 2034	940,000	44,656
Total	<u>\$ 5,875,000</u>	<u>\$ 2,588,676</u>

Note Payable. The Town had the following note outstanding at June 30, 2017:

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

E. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2017 was as follows:

	June 30, 2016	Additions	Retirements	June 30, 2017	Due Within One Year
Governmental activities:					
Compensated absences	\$ 14,220	\$ 1,618	\$ -	\$ 15,838	\$ 15,838
Post retirement benefits	6,250	3,559	-	9,809	-
Governmental long-term liabilities	<u>\$ 20,470</u>	<u>\$ 3,559</u>	<u>\$ -</u>	<u>\$ 25,647</u>	<u>\$ 15,838</u>
Business-type activities:					
General obligation bonds	\$ 6,095,000	\$ -	\$ (220,000)	\$ 5,875,000	\$ 235,000
Note payable	16,500	-	-	16,500	-
Compensated absences	88,623	1,315	-	89,938	-
Premiums on bonds	120,399	-	(7,083)	113,316	-
Post retirement benefits	23,250	10,000	-	33,250	-
Business-type long-term liabilities	<u>\$ 6,343,772</u>	<u>\$ 11,315</u>	<u>\$ (227,083)</u>	<u>\$ 6,128,004</u>	<u>\$ 235,000</u>

Advance Refundings

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

F. Restricted Net Position

The balances of the restricted asset accounts are as follows:

Description	Amount
Utility fund customer deposits	\$ 16,853
Utility fund bond escrows	23,176
	<u>\$ 40,029</u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

G. Interfund Transactions and Balances

Operating Transfers	Transfers	
	In	Out
General Fund	\$ 185,968	\$ -
Utility Fund	-	185,968
	<u>\$ 185,968</u>	<u>\$ 185,968</u>

IV. OTHER INFORMATION

A. Office Lease Agreement

The Town entered into an agreement with the County of Loudoun, Virginia to lease office space in the Town Hall office building. The lease agreement was extended on March 31, 2015 for one year and then month to month thereafter. In 2017 monthly rental income was \$11,565. The lease was terminated during 2017.

B. Risk Management

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

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2017 the Town paid premiums of approximately \$9,213 to VMGSIA.

VMLP: The Town has general and excess liability, automobile, property, boiler and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2017, the Town paid contributions of approximately \$31,818 to the VMLP.

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

C. Surety Bonds

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

D. Defined Benefit Pension Plan

Plan Description

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

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

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

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2015 Number
Inactive members or their beneficiaries currently receiving benefits	<u>6</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	1
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	<u>10</u>
Active members	<u>11</u>
Total covered employees	<u><u>27</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2017 was 4.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$41,287 and \$33,941 for the years ended June 30, 2017 and June 30, 2016, respectively.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.45%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		* Expected arithmetic normal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015 (surplus)	\$ 1,363,592	\$ 1,524,351	\$ (160,759)
Changes for the year:			
Service cost	74,729	-	74,729
Interest	94,563	-	94,563
Differences between expected and actual experience	26,419	-	26,419
Contributions - employer	-	39,050	(39,050)
Contributions - employee	-	39,286	(39,286)
Net investment income	-	28,394	(28,394)
Benefit payments, including refunds of employee contributions	(25,398)	(25,398)	-
Administrative expenses	-	(908)	908
Other changes	-	(12)	12
Net changes	170,313	80,412	89,901
Balances at June 30, 2016 (surplus)	\$ 1,533,905	\$ 1,604,763	\$ (70,858)

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(6.00%)	Rate (7.00%)	(8.00%)
Town's Net Pension Liability (Surplus)	\$ (147,505)	\$ (70,858)	\$ (251,893)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$41,287. At June 30, 2017 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,176	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	42,308	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 71,484</u>	<u>\$ -</u>

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

Year ended June 30,	Amortization
2017	\$ 19,648
2018	9,299
2019	26,509
2020	16,028

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Notes to Required Supplemental Information

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2015 and the impact on the liabilities as of the measurement date of June 30, 2016 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

	2016
Total pension liability	
Service cost	\$ 74,729
Interest	94,563
Changes of benefit terms	-
Differences between expected and actual experience	26,419
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(25,398)
Net change in total pension liability	<u>170,313</u>
Total pension liability - beginning	<u>1,363,592</u>
Total pension liability - ending (a)	<u><u>\$ 1,533,905</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 39,050
Contributions - employee	39,286
Net investment income	28,394
Benefit payments, including refunds of employee contributions	(25,398)
Administrative expense	(908)
Other	(12)
Net change in total pension liability	<u>80,412</u>
Total pension liability - beginning	<u>1,524,351</u>
Total pension liability - ending (b)	<u><u>\$ 1,604,763</u></u>
Town's net pension liability (surplus) - ending (a) - (b)	<u><u>\$ (70,858)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>104.62%</u></u>
Covered-employee payroll	<u><u>\$ 786,706</u></u>
Town's net pension liability as a percentage of covered-employee payroll (excess)	<u><u>-9.01%</u></u>

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

FYE June 30,	Contractual Required Contribution	Amount Contributed	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2017	\$ 41,287	\$ 41,287	\$ -	\$ 786,706	5.25%
2016	33,491	33,491	-	737,152	4.54%
2015	45,208	45,208	-	584,705	7.73%
Prior to GASB Statement No. 68 and 2015:					
2014	52,052	52,052	-	633,749	8.21%
2013	65,009	65,009	-	604,272	10.76%

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2016	\$ 1,636,510	\$ 1,565,637	\$ (70,873)	104.53%	\$ 786,706	-9.01%
2015	1,478,266	1,388,283	(89,983)	106.48%	737,152	-12.21%
2014	1,298,512	1,243,746	(54,766)	104%	584,705	-9.37%
Prior to GASB Statement No. 68:						
2013	1,173,210	1,144,367	(28,843)	102.52%	633,749	-4.55%
2012	1,061,021	1,043,609	(17,412)	101.67%	604,272	-2.88%

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2015 and the impact on the liabilities as of the measurement date of June 30, 2016 are minimal.

TOWN OF ROUND HILL, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION (CONTINUED)

D. Defined Benefit Pension Plan (Continued)

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

E. Fund Balance Restatement

During FY2017, the Town reclassified proffers previously recognized as income from developers for public facilities and transportation improvements to reserve for proffers, unearned revenue. Amounts will be recognized as revenue when the related proffer projects are complete. Total fund balance adjustment to the general fund was \$230,000.

F. Subsequent Events

The Town of Round Hill has evaluated events and transactions subsequent to June 30, 2017 through November 16, 2017 the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2017 that require adjustment to, or disclosure in, the financial statements for the year ended June 30, 2017.

TOWN OF ROUND HILL, VIRGINIA

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Sources of Revenues			
General Property Taxes			
Real and personal property taxes	\$ 171,500	\$ 195,336	\$ 23,836
Penalties and interest	-	4,996	4,996
Total General Property Taxes	<u>171,500</u>	<u>200,332</u>	<u>28,832</u>
Other Local Taxes			
Sales taxes	60,000	70,153	10,153
Consumer utility tax	11,200	13,862	2,662
Cigarette tax	20,500	19,386	(1,114)
Total Other Local Taxes	<u>91,700</u>	<u>103,401</u>	<u>11,701</u>
Permits, Fees and Licenses			
Zoning permits	950	3,925	2,975
Business licenses	11,150	28,144	16,994
Motor vehicle licenses	6,500	10,360	3,860
Total Permits, Fees, and Licenses	<u>18,600</u>	<u>42,429</u>	<u>23,829</u>
Revenues from Use of Money and Property			
Office rental income	16,658	11,656	(5,002)
Cell antenna revenue	137,500	139,388	1,888
Interest on bank deposits	-	1,165	1,165
Total Revenues from Use of Money and Property	<u>154,158</u>	<u>152,209</u>	<u>(1,949)</u>
Events/Sales/Other			
Town events	10,500	12,890	2,390
Other	500	201	(299)
Total Other Revenue	<u>11,000</u>	<u>13,091</u>	<u>2,091</u>
Intergovernmental			
Communication Tax	14,500	13,208	(1,292)
State grants	206,000	30,721	(175,279)
State aid - fire department	10,000	10,700	700
State aid - personal property	18,613	18,613	-
Loudoun County grant	175,000	173,462	(1,538)
Total Intergovernmental	<u>424,113</u>	<u>246,704</u>	<u>(177,409)</u>
Total General Fund Revenues	<u>871,071</u>	<u>758,166</u>	<u>(112,905)</u>
Other Financing Sources			
Transfers in	185,968	185,968	-
Capital contributions	20,241	13,196	(7,045)
Total Other Financing Sources	<u>206,209</u>	<u>199,164</u>	<u>(7,045)</u>
Total General Fund Revenues and Other Financing Sources	<u>\$ 1,077,280</u>	<u>\$ 957,330</u>	<u>\$ (119,950)</u>

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

**TOWN OF ROUND HILL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Original & Final Budget	Actual	Variance Positive (Negative)
General Government			
Administration			
Full time staff	\$ 275,746	\$ 271,538	\$ 4,208
Part time staff	24,500	26,826	(2,326)
Advertising	3,000	3,885	(885)
Auditing and accounting	3,300	2,827	473
Subcontractors	3,000	-	3,000
Legal fees	31,500	42,660	(11,160)
Communication	6,220	5,929	291
Postage and box rental	2,000	1,326	674
Office supplies	5,000	4,099	901
Payroll taxes	22,969	20,681	2,288
Worker's benefits	53,039	53,598	(559)
Printing	1,000	1,438	(438)
Retirement benefits	12,243	18,010	(5,767)
Office equipment and maintenance	15,000	12,691	2,309
Training - staff and officials	7,500	8,121	(621)
General office	4,800	5,309	(509)
Building and grounds			
Utilities	5,600	3,899	1,701
Cleaning	1,680	1,495	185
Maintenance	11,000	13,048	(2,048)
Other expenses			
Town events	15,600	22,704	(7,104)
Grant funding	10,000	10,000	-
Liability and other insurance	11,462	10,993	469
Newsletter	1,200	1,356	(156)
Miscellaneous	9,310	12,234	(2,924)
Total General Government	<u>536,669</u>	<u>554,667</u>	<u>(17,998)</u>
Public Safety - Fire Department	<u>17,000</u>	<u>16,883</u>	<u>117</u>
Public Works			
Trash removal/recycling	44,560	41,358	3,202
Street lighting	6,900	9,589	(2,689)
Streets, sidewalks, and signs maintenance	194,850	127,167	67,683
Franklin Park	10,000	2,280	7,720
Park improvements	373,325	22,038	351,287
Park maintenance and supplies	8,025	9,477	(1,452)
Total Public Works	<u>637,660</u>	<u>211,909</u>	<u>425,751</u>
Total General Fund Expenditures	<u>\$ 1,191,329</u>	<u>\$ 783,459</u>	<u>\$ 407,753</u>

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

**TOWN OF ROUND HILL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2017**

Assessed value of taxable real property	<u>\$ 94,907,210</u>
Debt limit (10% of assessed value)	9,490,721
Amount of debt applicable to debt limitation	<u>-</u>
Legal debt margin	<u>\$ 9,490,721</u>

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

Taxable assessed value is as of January 1, 2017 and excludes real property owned by public service corporations, other supplements and reduced for abatements and elderly relief.