

TOWN OF FRONT ROYAL, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**PREPARED BY THE
DEPARTMENT OF FINANCE
B.J. WILSON
DIRECTOR OF FINANCE**

FOREWORD

Front Royal is located in Warren County in Northern Virginia approximately 17 miles south of Winchester and 70 miles west of Washington, DC. The Town was founded in 1754 and chartered by the General Assembly of Virginia in 1788. U.S. Highways 522 and 340, and State Route 55 provide access to the Town. Interstate Highways 66 and 81 are located 1 mile north and 6 miles west of the Town, respectively. The Town covers an area of approximately 10.5 square miles and has a population estimated at 15,382.

The Town is governed under a Council-Manager form of government. The Town Council is comprised of six members, who are elected at large, to serve four-year terms. Elections for three seats on the Town Council are held every two years. The Mayor, who serves a two-year term, presides over the Town Council, but may vote only to break a tie.

The Town Manager is appointed by the Town Council as the chief executive officer of the Town and is responsible to the Town Council for proper administration of the Town government. The Town Manager also serves as Town Treasurer and is responsible for the financial operations of the Town. The Town Council appoints the Clerk of the Town Council and Town Attorney. The department directors are appointed by and are under the supervision of the Town Manager.

In Virginia, incorporated towns are part of the county in which they are located. Accordingly, the residents of an incorporated town are required to pay certain taxes, including ad valorem taxes, to both the town and the county. The town provides certain services received by residents of the town with other services being provided by the county.

**TOWN OF FRONT ROYAL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
TABLE OF CONTENTS**

INTRODUCTORY SECTION		
	Letter of Transmittal	1 - 5
	GFOA Certificate of Achievement	6
	Organizational Chart	7
	List of Town Council and Principal Officials	8
FINANCIAL SECTION		
	Independent Auditor's Report	9 – 10
	Management's Discussion & Analysis	11 - 19
	Basic Financial Statements	
	Government-wide Financial Statements	
Exhibit I	Statement of Net Position	20
Exhibit II	Statement of Activities	21
	Fund Financial Statements	
	Governmental Funds	
Exhibit III	Balance Sheet	22
Exhibit IV	Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Exhibit V	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	24
Exhibit VI	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	25
	Proprietary Funds	
Exhibit VII	Statement of Net Position	26 - 27
Exhibit VIII	Statement of Revenues, Expenses, and Changes in Net Position	28 - 29
Exhibit IX	Statement of Cash Flows	30
	Notes to Financial Statements	31 – 78
	Required Supplementary Information	
	Pension	
Exhibit X	Schedule of Changes in Net Pension Liability and Related Ratios – VRS Plan	79
	Notes to the Required Supplemental Pension Schedules	80
	Other Post-Employment Benefits	
	Health Insurance	
Exhibit XI	Schedule Changes in Net Health Insurance OPEB Liability – Local Plan	81
	Notes to the Required Supplemental Health Insurance Schedules	82
	Line of Duty Act	
Exhibit XII	Schedule of Employers Share of Net LODA OPEB Liability – VRS Plan	83
Exhibit XIII	Schedule of Employer Contributions	84
	Notes to the Required Supplemental LODA Schedules	85
	Group Life Insurance	
Exhibit XIV	Schedule of Employers Share of Net GLI OPEB Liability – VRS Plan	86
Exhibit XV	Schedule of Employer Contributions	87
	Notes to the Required Supplemental GLI Schedules	88

TOWN OF FRONT ROYAL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
TABLE OF CONTENTS (CONTINUED)

Supplementary Information

General Fund

Schedule 1	Schedule of Revenue and Other Financing Sources – Budget and Actual	89 – 90
Schedule 2	Schedule of Expenditures - Budget and Actual	91 – 94

Combining and Individual Fund Statements and Schedules

Non-Major Governmental Funds

Schedule 3	Combining Balance Sheet	95
Schedule 4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	96

**Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual - Special Revenue Funds**

Schedule 5	Asset Seizures	97
Schedule 6	Economic Development	98
Schedule 7	Debt Service	99
Schedule 8	Community/Neighborhood	100

Other Supplementary Schedules

Schedule 9	Schedule of Director of Finance’s Accountability	101
Schedule 10	Statement of the Director of Finance’s Accountability to the Town	102
Schedule 11	Computation of Legal Debt Margin	103

STATISTICAL SECTION

Financial Trends

Table I	Net Position by Component	104
Table II	Changes in Net Position	105 – 106
Table III	Governmental Activities Tax Revenue by Source	107
Table IV	Fund Balances of Governmental Funds	108
Table V	Changes in Fund Balances of Governmental Funds	109

Revenue Capacity

Table VI	Assessed Value and Estimated Actual Value of Taxable Property	110
Table VII	Property Tax Rates - Direct and Overlapping Governments	111
Table VIII	Principal Property Taxpayers	112
Table IX	Property Tax Levies and Collections	113

Debt Capacity

Table X	Ratio of Outstanding Debt by Type	114
Table XI	Ratio of General Bonded Debt Outstanding	115
Table XII	Direct and Overlapping Governmental Activities Debt	116
Table XIII	Legal Debt Margin Information	117
Table XIV	Pledged - Revenue Coverage	118

Demographic and Economic Information

Table XV	Demographic and Economic Statistics	119
Table XVI	Principal Employers	120

Operating Information

Table XVII	Full-time Equivalent Town Government Employees by Function/Program	121
Table XVIII	Operating Indicators by Function/Program	122
Table XIX	Capital Asset Statistics by Function/Program	123

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	124
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INTRODUCTORY SECTION



TOWN OF FRONT ROYAL
TOWN MANAGERS OFFICE
102 E. MAIN STREET
PO BOX 1560
FRONT ROYAL, VIRGINIA 22630-1560
(540) 635-8007
(540) 636-7475 (Fax)

STEVEN W. HICKS
Town Manager
shicks@frontroyalva.com

October 18, 2021

The Honorable Mayor,
Members of Town Council, and
Citizens of the Town of Front Royal

RE: FY 2020-21 Comprehensive Annual Financial Report (CAFR)
Letter of Transmittal

The Comprehensive Annual Financial Report (CAFR) for the Town of Front Royal, Virginia, for the fiscal year ending June 30, 2021 that provides informative and relevant financial data about Town operations in FY2020-2021. The CAFR fulfills the requirement contained in both Code of Virginia and the Town Code for completion of an annual audit of the Town's financial accounts and records by a Mitchell & Co., P.C., a firm of licensed certified public accountants.

To the best of our knowledge and reliance on the firm's accuracy, the information provided in this report is correct in all material respects and fairly presents the financial position of the Town. One of the goals of their recent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ending June 30, 2021, are free of material misstatements. The evaluation of the costs and benefits of a proposed internal control requires the application of best estimates and experience by management.

Based upon their audit, Mitchell & Co., P.C., they concluded that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ending June 30, 2021, conform to the generally accepted accounting principles and standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). The firm's responsibility involved examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The Comprehensive Annual Financial Report (CAFR)

The CAFR is presented in four (4) main sections:

- 1) Introductory – section includes this Letter of Transmittal, a copy of last fiscal year's Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada (GFOA), our Organizational Chart, and a list identifying the Mayor, Town Council, and Town staff.
- 2) Financial Section – includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), followed by the Basic Financial Statements and Supplementary Information.
- 3) Statistical Section – includes information about trends in the Town's financial position, debt capacity, and other operating information.
- 4) Compliance Section – includes Mitchell & Co., P.C.'s report on internal control procedures and compliance with auditing standards.

Profile of the Town

Front Royal is located in the County of Warren in Northwestern Virginia approximately seventeen (17) miles south of Winchester and seventy (70) miles west of Washington DC. The Town was founded in 1754 and incorporated by the General Assembly of Virginia in 1788. Interstates 66 and 81 are located at the northern Town limits and west of the Town, respectively. U.S. Highways 522 and 340, and State Route 55 provide access to the Town. Major rail lines are also located along the western and northern boundaries of the Town. The Town covers approximately ten and one-half (10.5) square miles and has an estimated population of 15,006.

The Town is governed under a Council/Manager form of government. The Town Council, in its role as governing body, formulates policies for the proper administration of the Town. The Mayor, who serves a two-year term, sets the agenda, presides over the Town Council, and voting when there is a tie vote. The Town Council is comprised of six (6) members elected at large to serve four-year terms. Elections for three (3) Town Council seats and Mayor are held every two (2) years. Elections are conducted on the first Tuesday in November, with the newly elected officials taking office on January 1st.

The Town Manager is appointed by the Town Council as the chief executive officer of the Town and is responsible to the Town Council and the citizens for the proper administration of the Town government. The Town Manager also serves as the Town Treasurer and is responsible for the financial operations of the Town. The Clerk of Council and Town Attorney are also appointed by the Town Council. The Department Directors of Finance, Energy Services, Fleet Management, Human Resources, Public Works, Risk Management, Information Technology, Public Safety, and Planning & Zoning as well as the newly created Assistant Town Manager are hired and managed under the supervision of the Town Manager.

In Virginia, incorporated towns are part of the county in which they are located. Accordingly, the residents of an incorporated town are required to pay certain taxes, including ad valorem taxes,

to both the town and the county. Certain services received by residents of a town are provided exclusively by the town, with other services being provided by the county.

The Town management maintains budgetary control over Town spending. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the Town Council. Anticipated revenues and expenditures of the General Fund and all enterprise funds are included in the annual appropriated budget. The level of budgetary control, that is the level at which expenditures cannot legally exceed the appropriated amount, is determined by function and activity within the individual fund. The Town government also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. Encumbered amounts lapse at the year-end, unless otherwise re-appropriated as part of the following year's budget by Town Council. As demonstrated by the statements and schedules included in the financial section of the report, the Town government continues to meet its responsibilities for sound financial management.

COVID-19 & Economic Outlook

Governor Ralph Northam declared a State of Emergency due to Novel Coronavirus (COVID-19) on March 12, 2020. The Town of Front Royal like all jurisdictions was impacted by the shutdown of our economy due to the declaration and following of Executive Orders. On June 8, 2020, the Council moved \$3,052,260 in the Adopted FY21 Budget into contingency funds. The revenue shortfall was not as extensive as initially projected; therefore, the Town of Front Royal released 80% of the contingency funds. As of the date of this letter, the Town's revenues are near FY22 budgeted figures.

The Town of Front Royal continues to weather the impact of COVID-19 quite well. Sales tax revenues are currently 16% or \$45,781 above estimates. Lodging tax revenues have recovered to almost pre-covid levels. Meal tax revenues are above pre-covid amounts due to new businesses coming online and tracking approximately 20% above budgeted amounts or \$96,507. These increased revenues are helping offset some of the revenues that currently have not recovered such as Communication Tax, Rental Vehicle Tax, and Payments in Lieu of Tax revenues.

On June 30, 2021; the Town of Front Royal received \$7.9 million for the American Rescue Plan Act and is expected to receive an additional \$7.9 in June 2022 for the program. The Town of Front Royal is currently reviewing options for using the funds to combat the COVID-19 pandemic public health and economic impacts.

Major Initiatives in FY21

During FY21 the Town continued with significant infrastructure projects, particularly the rehabilitation of aging and failing sewer lines allowing in inflows and infiltration (I & I) of storm water into our sewer system. The following major projects were initiated, continued, or completed during the fiscal year:

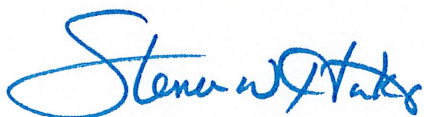
- Happy Creek Sanitary Sewer Upgrade - the Town awarded a construction contract in the amount of \$489,382 in June 2021 for needed upgrades to the sanitary sewer, which was part of needed compliance for the DEQ consent order.
- I & I Abatement significant work has continued towards becoming compliant with the DEQ consent order. The most problematic areas were identified, and corrective action has continues.
 1. The Town received authorization from the State Water Control Board for an \$8 million loan; engineering is expected to be complete in winter of 2021 and work beginning in spring 2022.
 2. Additional CCTV Investigation - \$168,325.00
 3. Additional Engineering Contract Awarded - \$332,380.00
 4. Urgent Point Repairs Engineering - \$180,000.00; estimated cost of \$2 million with work to begin fall of 2021
 - 5.
- Redundant Waterline engineering has been completed, property/easement acquisition is in process; construction anticipated to be awarded early 2022. This line will providethe necessary redundancy in the event of a major water line break which could cause businesses and industry to be out of water for days or weeks.
- Community Development Block Grant (CDBG) - In FY19, the Town was awarded the CDBG for the Front Royal District Revitalization Project which included a facade improvement program for Main Street property owners, a pavilion with bathrooms at the Village Commons/Gazebo area on Main Street, decorative murals on Main Street, and wayfinding signage. The grant preliminarily closed March 2021; final closeout is expected during FY22 upon final inspection of installation of facades and wayfinding signs.
- Police Department Facility Loan – the Town assumed responsibility for the Warren County Economic Development Authority’s loan for \$8.4 million.

- Pedestrian Safety - a Safety Plan for Kerfoot Avenue was implemented including two raised crosswalks to deter speeding vehicles and improved visibility of crosswalks. Also, crosswalks were installed on Leach Run Parkway near the new Valley Health Hospital
- Town EDA The General Assembly passed legislation that would allow the Town to create its own EDA. The Town is in the process of accepting applications for the Town EDA Board of Directors.

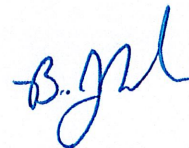
Town Awards and Achievements

- Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Front Royal for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2020. This was the thirty third (33) consecutive year that the Town has received this prestigious award. The GFOA awards a Certificate to municipalities that exemplify excellence in financial reporting in conformity with stringent reporting requirements established by the GFOA. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we will submit the CAFR to the GFOA to determine the Town's eligibility for continued recognition.
- 2020 Excellence in Waterworks Operations/Performance Award - For achieving Virginia's optimization program goals from the Virginia Department of Health Office of Drinking Water, the Town of Front Royal Water Treatment plant was awarded the 2020 Gold Excellence Award for the sixth consecutive year.
- **Acknowledgements**

In conclusion, the Town of Front Royal has established and continues to maintain a stable and strong financial position through fiscal conservative management of operations combined with accurate and transparent accounting and financial reporting practices. Tremendous credit goes to the Front Royal Town Council and the Department of Finance for their leadership and support in the management and oversight of Town finances.



Steven W. Hicks
Town Manager



B.J. Wilson
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Front Royal
Virginia**

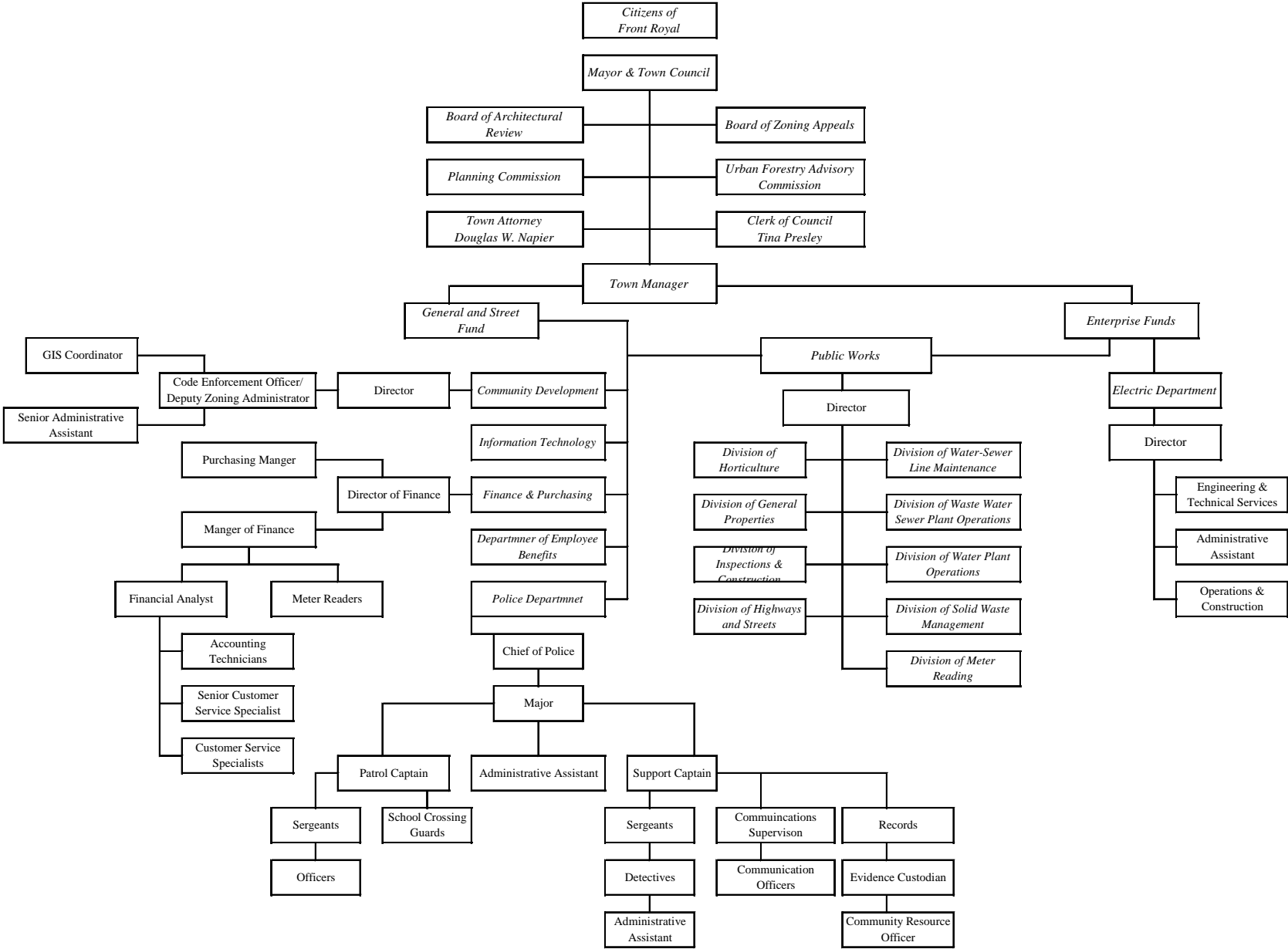
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

**TOWN OF FRONT ROYAL
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2021**



**TOWN OF FRONT ROYAL, VIRGINIA
JUNE 30, 2021**

TOWN COUNCIL

Christopher Holloway – Mayor
Lori Cockrell – Vice Mayor
Gary L. Gillispie
E. Scott Lloyd
Joseph E. McFadden
Jacob L. Meza
Letasha T. Thompson

TOWN OFFICIALS

Town Manager	Steven Hicks
Director of Planning & Zoning	Vacant
Town Attorney	Douglas W. Napier
Chief of Police	Kahle Magalis II
Director of Environmental Services	Robert Boyer
Director of Human Resources	Vacant
Clerk of Council	Tina Presley
Director of Finance	B.J. Wilson
Director of Information Technology	Todd C. Jones
Director of Energy Services	David Jenkins
Risk Management Manager	Vacant
Director of Fleet Management	Don McPaters

FINANCIAL SECTION

MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

TONJI M. LEISS, CPA
MEGAN R. JOLLON, CPA

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MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council
Town of Front Royal, Virginia
Front Royal, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information 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 Front Royal, Virginia's basic financial statements as a whole. The accompanying information listed in the table of contents as introductory section, supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information including the general fund schedules, combining and individual nonmajor fund schedules and other supplementary schedules 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 information including the general fund schedules, combining and individual nonmajor fund schedules and other supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated October 12, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Front Royal, Virginia's internal control over financial reporting and compliance.

October 12, 2021
Leesburg, Virginia

Mitchell & Co., P.C.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Front Royal, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Front Royal, Virginia for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 5 of this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$151,085,395. Of this amount, \$44,966,941 may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$11,583,364 for fiscal year ended June 30, 2021.
- As of the close of the current fiscal year, the Town of Front Royal's governmental funds reported combined ending fund balances of \$26,305,289, an increase of \$11,175,245 in comparison with the prior year. Approximately 34% of this amount (\$8,889,138) is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,260,735 or 69 percent of total general fund expenditures.
- The Town's total bonded debt decreased by \$2,648,880 (6.61 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 Front Royal, 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, liabilities, and deferred inflows/outflows, 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 Front Royal 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 Front Royal include general government, public safety, engineering and public works, planning, zoning and community development, and parks and recreation. The business-type activities of the Town include water, sewer, electricity, and solid waste management operations.

The government-wide financial statements include Town of Front Royal itself. The proprietary fund, although is legally separate, functions for all practical purposes as a department of the Town of Front Royal, and therefore has been included as an integral part of the primary government.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 20 – 21 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 Front Royal, 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 of Front Royal, Virginia maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Front Royal 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 22 – 25 of this report.

Proprietary funds. The Town of Front Royal, Virginia uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds include the water fund, sewer fund, electric fund, and solid waste management 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, sewer, electric, and solid waste management funds, all of which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 26 – 30 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 31 – 78 of this report.

Required Supplementary Information (RSI). The RSI is additional historical and trending information related to the VRS pension plan funding and other post-employment benefits. This information is found on pages 79-88.

Supplementary Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information to the financial statements. Combining and individual fund statements and schedules can be found on 89-100 of this report.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional state required supplementary schedules follow the combining and individual fund statements and can be found on pages 101 – 103 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 Front Royal, Virginia, assets and deferred outflows exceeded liabilities and deferred inflows by \$151,085,395 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (66 percent) 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 uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a summary of the Town's net position by type of activity as of June 30, 2021 and 2020.

TOWN OF FRONT ROYAL -- NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 29,271,527	\$ 17,591,931	\$ 34,993,811	\$ 36,767,644	\$ 64,265,338	\$ 54,359,575
Capital assets	50,780,866	54,560,370	99,328,737	95,851,107	150,109,603	150,411,477
Total Assets	80,052,393	72,152,301	134,322,548	132,618,751	214,374,941	204,771,052
Deferred Outflows of Resources	2,188,898	1,587,566	1,151,727	1,006,299	3,340,625	2,593,865
Long-term liabilities	19,823,125	19,177,403	42,633,037	45,104,436	62,456,162	64,281,839
Other liabilities	918,511	386,128	2,368,046	2,702,889	3,286,557	3,089,017
Total Liabilities	20,741,636	19,563,531	45,001,083	47,807,325	65,742,719	67,370,856
Deferred Inflows of Resources	682,503	380,669	204,949	111,361	887,452	492,030
Net investment in capital assets	41,807,111	45,504,940	61,617,386	56,282,332	103,424,497	101,787,272
Restricted	14,003,680	4,521,867	-	-	14,003,680	4,521,867
Unrestricted	5,006,361	3,768,860	28,650,857	29,424,032	33,657,218	33,192,892
Total Net Position	\$ 60,817,152	\$ 53,795,667	\$ 90,268,243	\$ 85,706,364	\$ 151,085,395	\$ 139,502,031

An additional portion of the Town of Front Royal's net position (4.02%) represents resources that are in a nonspendable form. The remaining balance of \$44,966,941 is unrestricted net position and 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 Front Royal is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town's net position increased by \$11,583,364 from fiscal year ended June 30, 2021 activities. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the Town's net position by \$7,021,485. These changes are presented in column one of the following table and key elements of the increase are noted below:

TOWN OF FRONT ROYAL -- CHANGES IN NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 260,635	\$ 239,359	\$ 32,444,426	\$ 31,624,806	\$ 32,705,061	\$ 31,864,165
Operating grants & contributions	13,457,490	2,524,909	-	-	13,457,490	2,524,909
Capital grants & contributions	154,738	99,175	152,293	138,904	307,031	238,079
General revenues						
Property taxes	2,219,143	2,183,121	-	-	2,219,143	2,183,121
Other taxes	6,492,900	6,243,086	-	-	6,492,900	6,243,086
Investment and other earnings	42,811	253,277	90,556	680,561	133,367	933,838
Total revenues	22,627,717	11,542,927	32,687,275	32,444,271	55,314,992	43,987,198
Expenses						
General government	4,160,316	4,012,539	-	-	4,160,316	4,012,539
Public safety	5,692,090	5,482,892	-	-	5,692,090	5,482,892
Engineering and public works	2,571,885	2,576,212	-	-	2,571,885	2,576,212
Planning and zoning	1,959,984	959,043	-	-	1,959,984	959,043
Infrastructure depreciation	4,085,813	4,085,813	-	-	4,085,813	4,085,813
Electric	-	-	16,245,524	16,834,919	16,245,524	16,834,919
Water	-	-	3,011,707	3,315,985	3,011,707	3,315,985
Sewer	-	-	5,114,415	4,913,811	5,114,415	4,913,811
Solid waste management	-	-	889,894	895,285	889,894	895,285
Total expenses	18,470,088	17,116,499	25,261,540	25,960,000	43,731,628	43,076,499
Increase (decrease) in net position before transfers	4,157,629	(5,573,572)	7,425,735	6,484,271	11,583,364	910,699
Transfers	2,863,856	3,130,000	(2,863,856)	(3,130,000)	-	-
Increase (decrease) in net position	7,021,485	(2,443,572)	4,561,879	3,354,271	11,583,364	910,699
Net position – beginning	53,795,667	56,239,239	85,706,364	82,352,093	139,502,031	138,591,332
Net position – ending	\$ 60,817,152	\$ 53,795,667	\$ 90,268,243	\$ 85,706,364	\$ 151,085,395	\$ 139,502,031

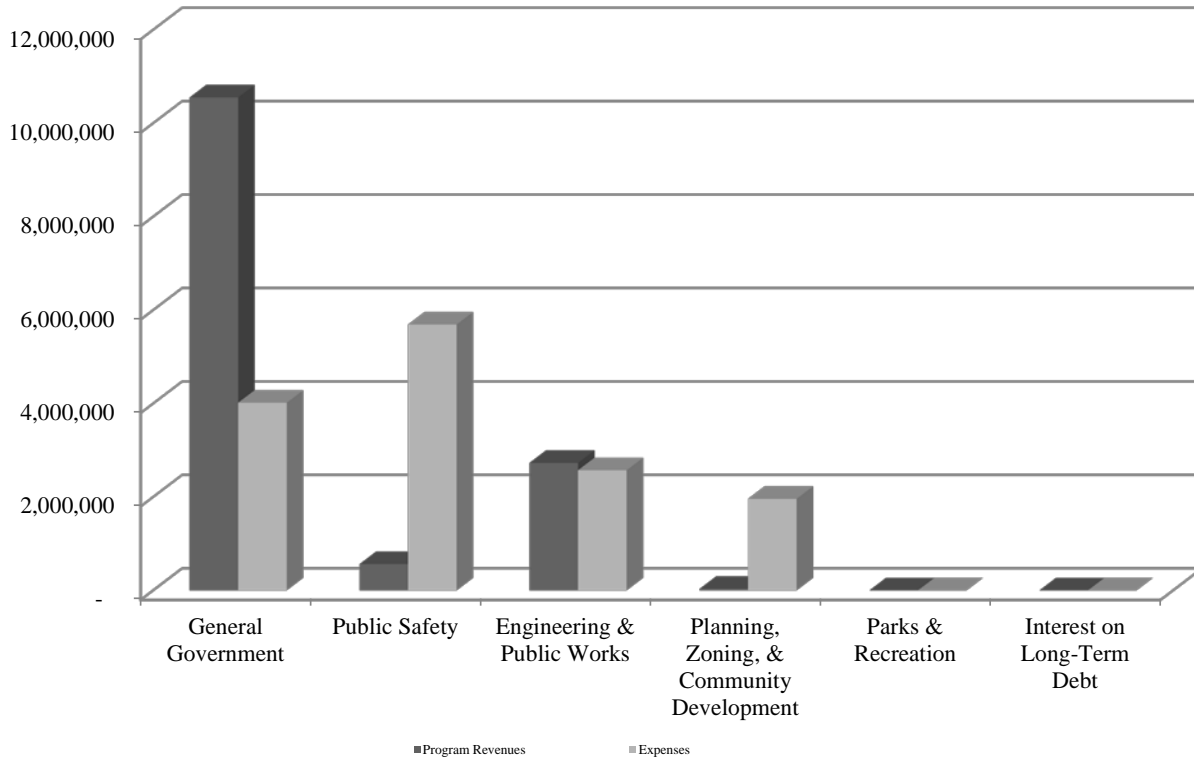
- \$7,925,590 ARPA funding received but not spent

TOWN OF FRONT ROYAL, VIRGINIA

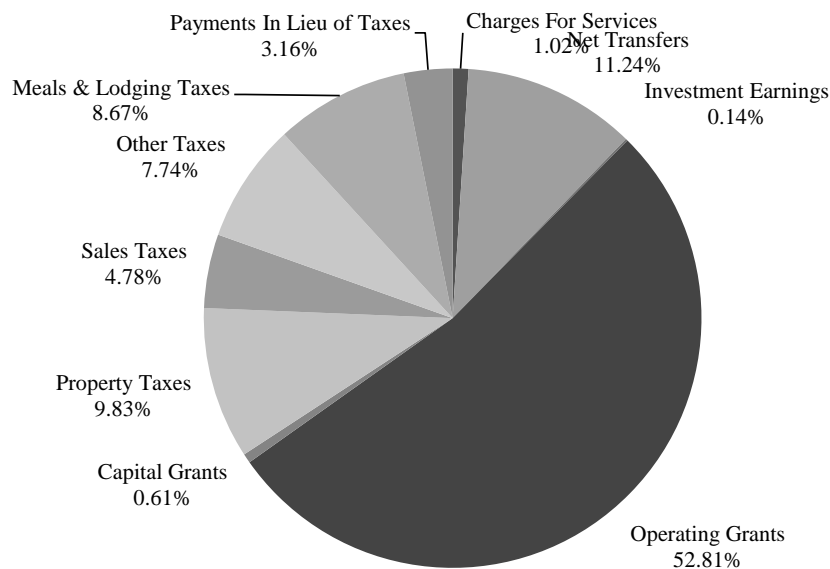
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



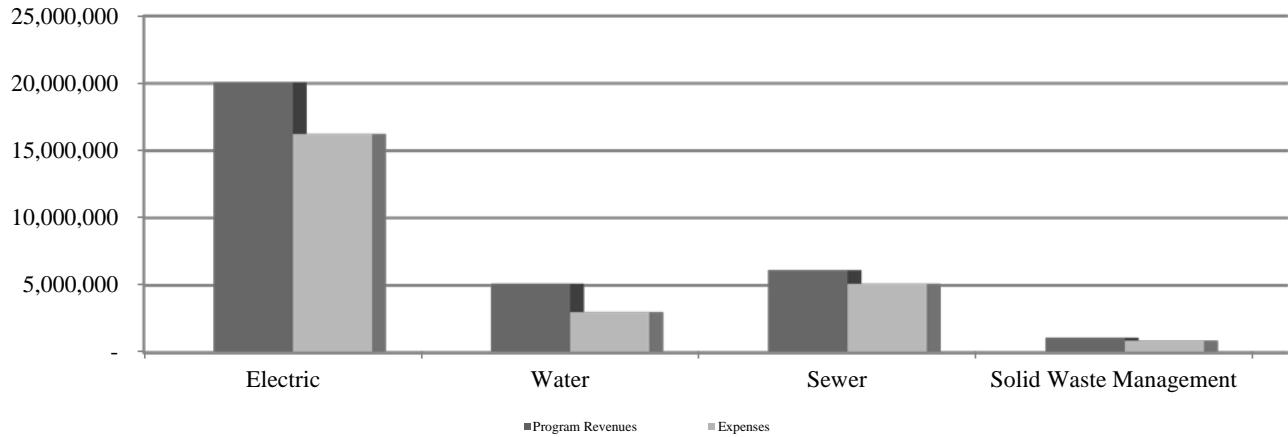
TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

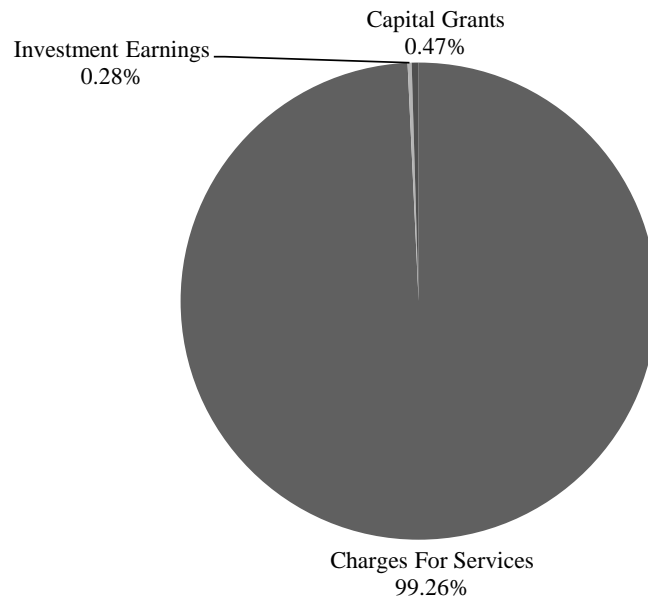
Business-type activities. Business-type activities increased the Town of Front Royal, Virginia's net position by \$4,561,879. Key elements of this increase are as follows:

- Decrease in operating expenses.

EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Front Royal'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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Front Royal itself, or group that has been delegated authority to assign resources for use for particular purposes by the Town of Front Royal's Council.

As of the end of the current fiscal year, the Town of Front Royal, Virginia's governmental funds reported combined ending fund balances of \$26,305,289, an increase of \$11,175,245 in comparison with the prior year. Approximately 33% of this total amount, \$8,889,138 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance represents funds in nonspendable form (\$37,296), assigned for future use (\$3,375,175), and restricted by third parties (\$14,003,680).

The general fund is the chief operating fund of the Town of Front Royal, Virginia. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,260,735, while total fund balance reached \$25,413,519. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 69 percent of total general fund expenditures, while total fund balance represents 190 percent of that same amount.

The fund balance of the Town's general fund increased by \$10,803,847 during the current fiscal year. Key factors in this increase are as follows:

- \$7,925,590 ARPA funding received and not yet spent

Proprietary funds. The Town of Front Royal, Virginia'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, sewer and solid waste management functions at the end of the year amounted to \$71,307,830 and those for the electric function amounted to \$18,960,413. The total increase in net position for all enterprise funds was \$4,561,879. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Additional net appropriations increases between the original budget and the final amended budget totaled \$4,771,614 and are noted as follows: a \$665 increase in Legislative; a \$99,929 increase in Executive; a \$124,850 increase in Legal; a \$16,200 decrease in Finance; a \$1,690,548 increase in Planning, Zoning and Community Development; a \$95,240 increase in Police Department; a \$1,230,135 increase in Public Works and Engineering; a \$1,142,803 increase in Nondepartmental; and \$403,644 increase in Transfers to Other Funds.

Actual general fund revenues were greater than budgeted revenues by \$7,893,608. The variance relates primarily to ARPA funds received at year-end. Actual general fund expenditures were less than the budgeted expenditures by \$4,977,887.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The Town of Front Royal, Virginia's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$150,109,603 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total decrease in capital assets for the current fiscal year was approximately .2%. Major capital assets events during the current fiscal year included the following:

- Water line upgrades and paving of \$2,490,387
- Street and sidewalk projects totaling \$672,091
- Proprietary equipment upgrades costing \$1,185,145

The table below summarizes the capital assets of the Town at June 30, 2021 and 2020.

TOWN OF FRONT ROYAL - CAPITAL ASSETS (NET OF DEPRECIATION)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,304,316	\$ 1,304,316	\$ 1,488,822	\$ 1,488,822	\$ 2,793,138	\$ 2,793,138
Construction in progress	-	-	-	-	-	-
Buildings and Improvements	18,423,031	17,823,950	74,130,440	71,398,711	92,553,471	89,222,661
Utility distribution systems	-	-	21,757,348	22,000,144	21,757,348	22,000,144
Vehicles	425,787	609,761	462,037	372,746	887,824	982,507
Machinery and Equipment	684,620	793,418	1,490,090	590,684	2,174,710	1,384,102
Infrastructure	29,943,112	34,028,925	-	-	29,943,112	34,028,925
Total	\$ 50,780,866	\$ 54,560,370	\$ 99,328,737	\$ 95,851,107	\$ 150,109,603	\$ 150,411,477

Additional information on the Town of Front Royal's capital assets can be found in Note IV. E. on pages 46 – 47 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Front Royal, Virginia had total bonded debt outstanding of \$37,402,594. All of this amount comprises debt backed by the full faith and credit of the government even though all bonded debt will be repaid from enterprise fund revenue.

TOWN OF FRONT ROYAL -- OUTSTANDING DEBT (GENERAL OBLIGATION BONDS)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ -	\$ -	\$ 37,402,594	\$ 40,051,474	\$ 37,402,594	\$ 40,051,474

The Town of Front Royal's total bonded debt decreased by \$2,648,880 (6.6 percent) during the current fiscal year. The majority of the debt is \$31,207,594 in general obligation bonds in the Sewer Fund. The reason for the issuance of the debt was for the waste water treatment plant improvement.

The Town of Front Royal and its water and sewer functions maintain an "A" rating from Standard and Poor's and from Moody's for general obligation debt.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term notes debt. At the end of the current fiscal year, the Town of Front Royal, Virginia had total notes payable outstanding of \$9,061,556. All of this amount comprises debt backed by the full faith and credit of the government.

TOWN OF FRONT ROYAL -- OUTSTANDING DEBT (NOTES PAYABLE)						
Notes Payable	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
	\$ 8,973,754	\$ 649,281	\$ 87,802	\$ 123,186	\$ 9,061,556	\$ 772,467

The Town of Front Royal's total notes debt increased during the current fiscal year. The majority of the debt is \$8,973,754 in general obligation notes. The reason for the increase is the issuance of new debt for permanent financing for the public safety center.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total taxable assessed valuation. The current debt limitation for the Town of Front Royal is \$122,370,066 which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town of Front Royal's long-term debt can be found in note IV. G. on pages 48 – 51 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town of Front Royal is currently 4.7 percent, which is a decrease from the prior year of 7.5 percent.
- This compares to the state's average unemployment rate of 4.3 percent and favorably to the national average rate of 6.0 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town of Front Royal, Virginia's budget for the 2021 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund was \$9,260,735. Town of Front Royal has not appropriated any of this amount for spending in the 2022 fiscal year budget. It is available to offset the need for additional resources to be generated by the general fund.

Requests for Information

This report is designed to provide a general overview of the Town of Front Royal'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 Office of the Director of Finance, 102 East Main Street, P.O. Box 1560, Front Royal, Virginia 22630-1560.

TOWN OF FRONT ROYAL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 27,161,256	\$ 13,945,912	\$ 41,107,168
Investments	-	14,302,974	14,302,974
Receivables (net of allowance for uncollectibles, where applicable)			
Delinquent taxes, including penalties	2,157,128	-	2,157,128
Accounts	-	3,169,000	3,169,000
Other	96,879	32,874	129,753
Internal balances	(583,165)	583,165	-
Due from other governments	402,133	-	402,133
Inventories and other assets	37,296	2,312,175	2,349,471
Temporarily restricted assets - cash and cash equivalents			
Customer deposits	-	647,711	647,711
Bond funds	-	-	-
Capital assets (net of accumulated depreciation)			
Land	1,304,316	1,488,822	2,793,138
Buildings and improvements	18,423,031	74,130,440	92,553,471
Utility distribution systems	-	21,757,348	21,757,348
Vehicles	425,787	462,037	887,824
Machinery and equipment	684,620	1,490,090	2,174,710
Infrastructure	29,943,112	-	29,943,112
Total Assets	80,052,393	134,322,548	214,374,941
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	324,539	324,539
Deferred pension, GLI and LODA obligations	2,188,898	827,188	3,016,086
Total Deferred Outflows	2,188,898	1,151,727	3,340,625
Liabilities			
Banking advances	499,322	-	499,322
Accounts payable	419,190	1,653,647	2,072,837
Accrued interest payable	-	66,688	66,688
Liabilities payable with restricted assets	-	647,711	647,711
Noncurrent liabilities			
Due within one year	1,184,043	2,894,823	4,078,866
Due in more than one year	18,639,081	39,738,214	58,377,295
Total Liabilities	20,741,636	45,001,083	65,742,719
Deferred Inflows of Resources			
Deferred pension, GLI and LODA inflows	682,503	204,949	887,452
Net Position			
Net investment in capital assets	41,807,112	61,617,386	103,424,498
Restricted for:			
Streets and highways	4,814,723	-	4,814,723
Capital outlays	20,747	-	20,747
Community development	1,242,620	-	1,242,620
ARPA	7,925,590	-	7,925,590
Unrestricted	5,006,360	28,650,857	33,657,217
Total Net Position	\$ 60,817,152	\$ 90,268,243	\$ 151,085,395

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

TOWN OF FRONT ROYAL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 4,015,860	\$ 68,889	\$ 10,403,706	\$ 77,448	\$ 6,534,183	\$ -	\$ 6,534,183
Public safety	5,692,090	161,077	401,174	-	(5,129,839)	-	(5,129,839)
Engineering and public works	2,571,885	-	2,652,610	77,290	158,015	-	158,015
Planning, zoning, and community development	1,959,984	30,669	-	-	(1,929,315)	-	(1,929,315)
Interest	144,456	-	-	-	(144,456)	-	(144,456)
Infrastructure depreciation	4,085,813	-	-	-	(4,085,813)	-	(4,085,813)
Total governmental activities	18,470,088	260,635	13,457,490	154,738	(4,597,225)	-	(4,597,225)
Business-type activities							
Electric	16,245,524	20,094,836	-	25,793	-	3,875,105	3,875,105
Water	3,011,707	5,120,139	-	-	-	2,108,432	2,108,432
Sewer	5,114,415	6,129,937	-	126,500	-	1,142,022	1,142,022
Solid Waste Mangement	889,894	1,099,514	-	-	-	209,620	209,620
Total business-type activities	25,261,540	32,444,426	-	152,293	-	7,335,179	7,335,179
Total primary government	\$ 43,731,628	\$ 32,705,061	\$ 13,457,490	\$ 307,031	(4,597,225)	7,335,179	2,737,954
General Revenues							
Property taxes					2,219,143	-	2,219,143
Sales taxes					1,218,034	-	1,218,034
Business and occupational taxes					827,597	-	827,597
Franchise and bank stock taxes					323,005	-	323,005
Communication taxes					128,982	-	128,982
Consumer taxes					225,195	-	225,195
Meals and lodging taxes					2,210,625	-	2,210,625
Virginia personal property tax reduction					287,000	-	287,000
Payment in lieu of taxes					805,142	-	805,142
Motor vehicle tax					378,663	-	378,663
Other general taxes					88,657	-	88,657
Unrestricted investment earnings					34,604	90,556	125,160
Sale of equipment					8,207	-	8,207
Transfers					2,863,856	(2,863,856)	-
Total general revenues and transfers					11,618,710	(2,773,300)	8,845,410
Change in net position					7,021,485	4,561,879	11,583,364
Net position - beginning					53,795,667	85,706,364	139,502,031
Net position - ending					\$ 60,817,152	\$ 90,268,243	\$ 151,085,395

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

TOWN OF FRONT ROYAL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 25,627,718	\$ 1,533,538	\$ 27,161,256
Receivables (net of allowance for uncollectibles, where applicable)			
Delinquent taxes, including penalties	2,157,128	-	2,157,128
Other	96,879	-	96,879
Due from other governments	402,133	-	402,133
Interfund advances	49,915	4,500	54,415
Inventories and other assets	37,296	-	37,296
Total Assets	\$ 28,371,069	\$ 1,538,038	\$ 29,909,107
Liabilities, Deferred Inflows and Fund Balances			
Liabilities			
Banking advances	\$ -	\$ 499,322	\$ 499,322
Accounts payable	240,639	-	240,639
Accrued liabilities	178,550	-	178,550
Interfund advances	490,634	146,946	637,580
Total Liabilities	909,823	646,268	1,556,091
Deferred Inflows of Resources			
Unavailable revenue	2,047,727	-	2,047,727
Fund balances			
Nonspendable:			
Inventory	5,118	-	5,118
Prepaid items	32,178	-	32,178
Restricted for:			
Streets and highways	4,814,723	-	4,814,723
Capital outlays	-	20,747	20,747
Community development	-	1,242,620	1,242,620
APRA	7,925,590	-	7,925,590
Assigned for:			
Expenditures designated for future years	3,375,175	-	3,375,175
Unassigned	9,260,735	(371,597)	8,889,138
Total Fund Balances	25,413,519	891,770	26,305,289
Total Liabilities, Deferred Inflows and Fund Balances	\$ 28,371,069	\$ 1,538,038	

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.	50,780,866
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,047,727
Long-term liabilities, including bonds, notes, advances and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(12,550,736)
Pension, life and line of duty obligations and funding requirement reporting is not due in the current period and, therefore, not reported in the funds.	(5,765,994)
Net position of governmental activities	\$ 60,817,152

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 1,577,726	\$ 669,450	\$ 2,247,176
Sales	1,218,034	-	1,218,034
Business and occupational	827,597	-	827,597
Franchise	72,012	-	72,012
Consumer	225,195	-	225,195
Vehicle taxes	378,663	-	378,663
Bank stock	250,993	-	250,993
Meals and lodging	2,210,625	-	2,210,625
Payment in lieu of taxes	805,142	-	805,142
Permits, fees, and licenses	30,669	-	30,669
Fines and forfeitures	154,521	-	154,521
Revenues from use of money & property	34,604	-	34,604
Charges for services	23,071	-	23,071
Miscellaneous	45,818	-	45,818
Recovered costs	-	6,556	6,556
Intergovernmental	13,494,342	622,525	14,116,867
Total revenues	21,349,012	1,298,531	22,647,543
Expenditures			
General government			
Legislative	169,258	-	169,258
Executive	2,044,864	-	2,044,864
Legal	483,386	-	483,386
Finance	887,636	-	887,636
Public safety - Police	4,989,546	-	4,989,546
Planning, zoning, and community development	1,669,707	60,468	1,730,175
Engineering and public works	2,498,613	758,134	3,256,747
Nondepartmental	628,718	-	628,718
Debt Service:			
Principal	-	8,492,576	8,492,576
Interest	-	144,456	144,456
Total expenditures	13,371,728	9,455,634	22,827,362
Deficiency of revenues under expenditures	7,977,284	(8,157,103)	(179,819)
Other Financing Sources (Uses)			
Transfers in	3,222,000	322,756	3,544,756
Transfers (out)	(403,644)	(277,256)	(680,900)
Loan proceeds	-	8,483,001	8,483,001
Sale of real estate	8,207	-	8,207
Total other financing sources and uses	2,826,563	8,528,501	11,355,064
Net change in fund balances	10,803,847	371,398	11,175,245
Fund balances - beginning	14,609,672	520,372	15,130,044
Fund balances - ending	\$ 25,413,519	\$ 891,770	\$ 26,305,289

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

TOWN OF FRONT ROYAL, 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, 2021

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

Net change in fund balances - total governmental funds		\$ 11,175,245
Governmental funds report capital outlays as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditure for capital assets	1,264,510	
Less depreciation and amortization expense	<u>(5,044,014)</u>	
Excess of capital outlay over depreciation and amortization		(3,779,504)
Revenues in the Government Wide Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		(28,033)
The issuance of long-term debt (i.e. advances, bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on Governmental net assets but in the Government Wide statement of Net Position the long-term debt is reported as a liability. Details of these transaction differences are as follows.		
Debt issued or incurred		
Police facility debt finances	(8,483,001)	
Principal repayments		
EDA advance	8,406,148	
Police facility loan	86,429	
Equipment note	<u>72,098</u>	
		81,674
Some expenses reported in the Government Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	52,126	
Other post employment benefits		
Pension obligation, group life and LODA insurance	(669,502)	
Health insurance	<u>(110,019)</u>	
		(727,395)
Governmental funds do not report the deferred outflows and inflows in the Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balance. However, in the Government Wide statements the deferred outflows and deferred inflows of resources are recorded.		
Deferred outflows	601,332	
Deferred inflows	<u>(301,834)</u>	
		<u>299,498</u>
Change in net position of governmental activities		<u>\$ 7,021,485</u>

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

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Revenues				
General property taxes	\$ 1,401,625	\$ 1,401,625	\$ 1,577,726	\$ 176,101
Other local taxes	5,931,200	5,931,200	5,988,261	57,061
Permits, fees, and licenses	35,100	35,100	30,669	(4,431)
Fines and forfeitures	202,000	202,000	154,521	(47,479)
Revenues from use of money & property	134,545	134,545	34,604	(99,941)
Charges for services	63,050	63,050	23,071	(39,979)
Miscellaneous	4,060	9,200	45,818	36,618
Intergovernmental	3,126,065	5,674,891	13,494,342	7,819,451
Total revenues	10,897,645	13,451,611	21,349,012	7,897,401
Expenditures				
General government				
Legislative	168,690	169,355	169,258	97
Executive	2,453,186	2,553,115	2,044,864	508,251
Legal	568,805	693,655	483,386	210,269
Finance	925,265	909,065	887,636	21,429
Total general government	4,115,946	4,325,190	3,585,144	740,046
Public safety - police	5,301,250	5,396,490	4,989,546	406,944
Planning and zoning	451,660	2,142,208	1,669,707	472,501
Public works and engineering	3,515,789	4,745,924	2,498,613	2,247,311
Non-departmental	597,000	1,739,803	628,718	1,111,085
Total expenditures	13,981,645	18,349,615	13,371,728	4,977,887
Deficiency of revenues under expenditures	(3,084,000)	(4,898,004)	7,977,284	12,875,288
Other Financing Sources				
Transfers in	3,222,000	3,222,000	3,222,000	-
Transfers out	-	(403,644)	(403,644)	-
Sale of equipment	10,000	10,000	8,207	(1,793)
Insurance recoveries	2,000	2,000	-	(2,000)
	3,234,000	2,830,356	2,826,563	(3,793)
Net change in fund balances	150,000	(2,067,648)	10,803,847	12,871,495
Fund balances - beginning	14,609,672	14,609,672	14,609,672	-
Fund balances - ending	\$ 14,759,672	\$ 12,542,024	\$ 25,413,519	\$ 12,871,495

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities - Enterprise Funds			
	Electric Current Year	Electric Prior Year	Water Current Year	Water Prior Year
Assets				
Current assets				
Cash and cash equivalents	\$ 751,835	\$ 255,479	\$ 3,943,201	\$ 5,229,994
Investments	3,927,541	3,340,807	4,355,978	4,059,522
Due from other funds	220,663	370,663	877,859	877,859
Accounts receivable (net of allowance for uncollectibles)	1,851,341	1,914,153	613,537	567,327
Other receivables	20,974	127,115	-	3,000
Inventories	1,441,071	1,122,238	435,552	376,088
Total current assets	8,213,425	7,130,455	10,226,127	11,113,790
Noncurrent assets				
Restricted cash and cash equivalents				
Customer deposits	595,656	538,951	52,055	54,175
Bond funds	-	-	-	-
	595,656	538,951	52,055	54,175
Capital assets				
Land, buildings and structures	8,831,217	8,733,488	21,723,464	19,674,337
Utility distribution systems	12,128,201	11,400,515	23,152,551	23,060,828
Vehicles	1,673,269	1,404,092	428,354	428,354
Equipment	2,013,946	1,504,410	1,447,753	901,309
Less accumulated depreciation	(11,102,451)	(10,450,363)	(19,944,228)	(18,988,159)
Total capital assets (net of accumulated depreciation)	13,544,182	12,592,142	26,807,894	25,076,669
Total noncurrent assets	14,139,838	13,131,093	26,859,949	25,130,844
Total Assets	22,353,263	20,261,548	37,086,076	36,244,634
Deferred Outflows of Resources				
Deferred charge on refunded debt	-	-	324,539	372,032
Deferred pension and GLI obligation	300,371	221,316	226,048	181,593
Total Deferred Outflows	300,371	221,316	550,587	553,625
Liabilities				
Current liabilities				
Accounts payable	1,450,395	1,541,112	42,389	125,429
Accrued interest payable	-	-	66,688	73,700
Bank advances	-	-	-	-
Compensated absences - current	73,722	71,855	40,346	49,559
General obligation bonds - current	-	-	715,000	680,000
Loan payable - current	-	-	-	-
Total current liabilities	1,524,117	1,612,967	864,423	928,688
Noncurrent liabilities				
Customer deposits payable	595,656	538,951	52,055	54,175
Compensated absences	73,722	71,854	40,345	49,558
OPEB liability	353,363	339,053	363,794	348,913
General obligation bonds payable	-	-	6,025,494	6,820,913
Loan payable	-	-	-	-
Unfunded pension and GLI liability	1,072,030	936,787	804,110	761,464
Total noncurrent liabilities	2,094,771	1,886,645	7,285,798	8,035,023
Total Liabilities	3,618,888	3,499,612	8,150,221	8,963,711
Deferred Inflows of Resources				
Deferred pension and GLI inflow	74,333	38,857	55,631	31,170
Net Position				
Net investment in capital assets	13,544,182	12,592,142	20,391,939	17,947,388
Unrestricted	5,416,231	4,352,253	9,038,872	9,855,990
Total Net Position	\$ 18,960,413	\$ 16,944,395	\$ 29,430,811	\$ 27,803,378

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

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Sewer Current Year	Sewer Prior Year	Solid Waste Management Current Year	Solid Waste Management Prior Year	Totals Current Year
Assets					
Current assets					
Cash and cash equivalents	\$ 7,997,482	\$ 9,015,084	\$ 1,253,394	\$ 867,940	\$ 13,945,912
Investments	6,019,455	6,539,305	-	-	14,302,974
Due from other funds	(357,640)	(357,640)	(157,717)	(157,717)	583,165
Accounts receivable (net of allowance for uncollectibles)	586,123	637,105	117,999	134,467	3,169,000
Other receivables	11,900	15,475	-	-	32,874
Inventories	435,552	376,088	-	-	2,312,175
Total current assets	14,692,872	16,225,417	1,213,676	844,690	34,346,100
Noncurrent assets					
Restricted cash and cash equivalents					
Customer deposits	-	-	-	-	647,711
Bond funds	-	860,166	-	-	-
	-	860,166	-	-	647,711
Capital assets					
Land, buildings and structures	62,168,148	59,490,832	54,941	54,941	92,777,770
Utility distribution systems	23,326,837	23,235,113	-	-	58,607,589
Vehicles	762,022	762,022	1,128,495	1,128,495	3,992,140
Equipment	1,844,109	1,746,795	671,078	639,227	5,976,886
Less accumulated depreciation	(29,362,408)	(27,338,260)	(1,616,561)	(1,536,869)	(62,025,648)
Total capital assets (net of accumulated depreciation)	58,738,708	57,896,502	237,953	285,794	99,328,737
Total noncurrent assets	58,738,708	58,756,668	237,953	285,794	99,976,448
Total Assets	73,431,580	74,982,085	1,451,629	1,130,484	134,322,548
Deferred Outflows of Resources					
Deferred charge on refunded debt	-	-	-	-	324,539
Deferred pension and GLI obligation	182,984	137,404	117,785	93,954	827,188
Total Deferred Outflows	182,984	137,404	117,785	93,954	1,151,727
Liabilities					
Current liabilities					
Accounts payable	150,907	353,034	9,956	16,488	1,653,647
Accrued interest payable	-	-	-	-	66,688
Bank advances	-	-	-	-	-
Compensated absences - current	41,135	47,650	16,946	17,736	172,149
General obligation bonds - current	1,968,880	1,968,880	-	-	2,683,880
Loan payable - current	-	-	38,794	37,343	38,794
Total current liabilities	2,160,922	2,369,564	65,696	71,567	4,615,158
Noncurrent liabilities					
Customer deposits payable	-	-	-	-	647,711
Compensated absences	41,134	47,650	16,945	17,735	172,146
OPEB liability	321,557	308,404	259,796	249,169	1,298,510
General obligation bonds payable	29,238,714	31,207,594	-	-	35,264,208
Loan payable	-	-	49,008	85,843	49,008
Unfunded pension and GLI liability	657,219	588,790	420,983	397,686	2,954,342
Total noncurrent liabilities	30,258,624	32,152,438	746,732	750,433	40,385,925
Total Liabilities	32,419,546	34,522,002	812,428	822,000	45,001,083
Deferred Inflows of Resources					
Deferred pension and GLI inflow	45,766	24,838	29,219	16,496	204,949
Net Position					
Net investment in capital assets	27,531,114	25,580,194	150,151	162,608	61,617,386
Unrestricted	13,618,138	14,992,455	577,616	223,334	28,650,857
Total Net Position	\$ 41,149,252	\$ 40,572,649	\$ 727,767	\$ 385,942	\$ 90,268,243

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds			
	Electric Current Year	Electric Prior Year	Water Current Year	Water Prior Year
Operating revenues				
Charges for sales and services				
Electric sales	\$ 19,440,141	\$ 19,424,404	\$ -	\$ -
Water and sewer sales	-	-	4,719,922	4,486,655
Installation and connection charges	585,129	430,231	223,332	195,897
Refuse service fees	-	-	-	-
Miscellaneous revenues	69,566	38,042	66,918	37,628
Total operating revenues	20,094,836	19,892,677	5,010,172	4,720,180
Operating expenses				
Personal service	1,473,635	1,497,927	1,127,854	1,118,776
Contractual service	68,719	75,635	193,006	247,584
Electric power	14,140,183	14,409,136	-	-
Depreciation	652,088	587,334	956,070	893,940
Other charges	954,501	951,388	585,664	861,136
Operating expenses capitalized	(1,046,519)	(689,747)	(91,724)	(71,805)
Total operating expenses	16,242,607	16,831,673	2,770,870	3,049,631
Operating income	3,852,229	3,061,004	2,239,302	1,670,549
Nonoperating revenues (expenses)				
Investment earnings	11,978	207,402	12,476	182,276
Interest expense	(2,917)	(3,246)	(240,837)	(266,354)
Lease income	-	-	109,967	107,317
Total nonoperating revenue (expenses)	9,061	204,156	(118,394)	23,239
Income before contributions and transfers	3,861,290	3,265,160	2,120,908	1,693,788
Transfers and contributions				
Capital grants	25,793	12,404	-	-
Transfers in (out)	(1,871,065)	(1,955,000)	(493,475)	(490,000)
Change in net position	2,016,018	1,322,564	1,627,433	1,203,788
Total net position - beginning of year	16,944,395	15,621,831	27,803,378	26,599,590
Total net position - end of year	<u>\$ 18,960,413</u>	<u>\$ 16,944,395</u>	<u>\$ 29,430,811</u>	<u>\$ 27,803,378</u>

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

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Sewer Current Year	Sewer Prior Year	Solid Waste Managment Current Year	Solid Waste Managment Prior Year	Totals Current Year
Operating revenues					
Charges for sales and services					
Electric sales	\$ -	\$ -	\$ -	\$ -	\$ 19,440,141
Water and sewer sales	5,530,130	5,426,407	-	-	10,250,052
Installation and connection charges	600,307	365,789	-	-	1,408,768
Refuse service fees	-	-	1,092,014	1,107,026	1,092,014
Miscellaneous revenues	(500)	2,742	7,500	2,668	143,484
Total operating revenues	6,129,937	5,794,938	1,099,514	1,109,694	32,334,459
Operating expenses					
Personal service	916,498	810,251	609,014	607,141	4,127,001
Contractual service	336,928	386,205	1,184	-	599,837
Electric power	-	-	-	-	14,140,183
Depreciation	2,024,147	1,984,635	79,692	58,951	3,711,997
Other charges	1,928,566	1,716,651	195,534	225,386	3,664,265
Operating expenses capitalized	(91,724)	(71,805)	-	-	(1,229,967)
Total operating expenses	5,114,415	4,825,937	885,424	891,478	25,013,316
Operating income	1,015,522	969,001	214,090	218,216	7,321,143
Nonoperating revenues (expenses)					
Investment earnings	27,516	219,559	38,586	71,324	90,556
Interest expense	-	(87,874)	(4,470)	(3,807)	(248,224)
Lease income	-	-	-	-	109,967
Total nonoperating revenues (expenses)	27,516	131,685	34,116	67,517	(47,701)
Income before contributions and transfers	1,043,038	1,100,686	248,206	285,733	7,273,442
Transfers and contributions					
Capital grants	126,500	126,500	-	-	152,293
Transfers in (out)	(592,935)	(590,000)	93,619	(95,000)	(2,863,856)
Change in net position	576,603	637,186	341,825	190,733	4,561,879
Total net position - beginning of year	40,572,649	39,935,463	385,942	195,209	85,706,364
Total net position - end of year	\$ 41,149,252	\$ 40,572,649	\$ 727,767	\$ 385,942	\$ 90,268,243

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 20,263,789	\$ 4,966,962	\$ 6,184,494	\$ 1,115,982	\$ 32,531,227
Payments to suppliers	(14,455,419)	(816,689)	(2,422,208)	(192,623)	(17,886,939)
Payments to employees	(1,378,236)	(1,123,628)	(885,752)	(598,405)	(3,986,021)
Net cash provided by operating activities	4,430,134	3,026,645	2,876,534	324,954	10,658,267
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	(1,871,065)	(493,475)	(592,935)	93,619	(2,863,856)
Lease income	-	109,967	-	-	109,967
Interfund (advances)/repayments	150,000	-	-	-	150,000
Net cash provided by (used in) noncapital financing activities	(1,721,065)	(383,508)	(592,935)	93,619	(2,603,889)
Cash Flows from Capital and Related Financing Activities					
Acquisition/construction of capital assets	(1,604,128)	(2,687,295)	(2,866,353)	(31,851)	(7,189,627)
Principal paid on capital debt	-	(680,000)	(1,968,880)	(35,384)	(2,684,264)
Grants received	25,793	-	126,500	-	152,293
Interest paid	(2,917)	(280,775)	-	(4,470)	(288,162)
Net cash (used in) capital and related financing activities	(1,581,252)	(3,648,070)	(4,708,733)	(71,705)	(10,009,760)
Cash Flows from Investing Activities					
Sales (purchases) of investments	(586,734)	(296,456)	519,850	-	(363,340)
Interest and dividends received	11,978	12,476	27,516	38,586	90,556
Net cash provided by (used in) investing activities	(574,756)	(283,980)	547,366	38,586	(272,784)
Net increase (decrease) in cash and cash eq.	553,061	(1,288,913)	(1,877,768)	385,454	(2,228,166)
Cash and cash equivalents July 1, 2020	794,430	5,284,169	9,875,250	867,940	16,821,789
Cash and cash equivalents June 30, 2021	\$ 1,347,491	\$ 3,995,256	\$ 7,997,482	\$ 1,253,394	\$ 14,593,623
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 3,852,229	\$ 2,239,302	\$ 1,015,522	\$ 214,090	\$ 7,321,143
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation expense	652,088	956,070	2,024,147	79,692	3,711,997
(Increase) decrease in:					
Accounts receivable	62,812	(46,210)	50,982	16,468	84,052
Other receivables	106,141	3,000	3,575	-	112,716
Inventories	(318,833)	(59,464)	(59,464)	-	(437,761)
Deferred pension	(79,055)	(44,455)	(45,580)	(23,831)	(192,921)
Customer deposits	56,705	(2,120)	-	-	54,585
Increase (decrease) in:					
Accounts payable	(90,717)	(83,040)	(202,127)	(6,532)	(382,416)
OPEB liability	14,310	14,881	13,153	10,627	52,971
Compensated absences	3,735	(18,426)	(13,031)	(1,580)	(29,302)
Pension liability	135,243	42,646	68,429	23,297	269,615
Deferred pension	35,476	24,461	20,928	12,723	93,588
Total adjustments	577,905	787,343	1,861,012	110,864	3,337,124
Net cash provided by (used in) operating activities	\$ 4,430,134	\$ 3,026,645	\$ 2,876,534	\$ 324,954	\$ 10,658,267
Noncash investing, capital, and financing activities					
Capital assets contributed by developers	\$ -	\$ -	\$ -	\$ -	\$ -

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Front Royal, Virginia (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Front Royal, Virginia is located in the County of Warren, Virginia and was incorporated in 1754 under the provisions of the Constitution and general statutes of the Commonwealth of Virginia.

The town is an incorporated municipal governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and any potential component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined as appointment of a 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 activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The government reports the following major governmental funds:

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

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

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government reports the following major proprietary funds:

The *water and sewer funds* account for the activities of the Town's water and sewer operations.

The *electric fund* accounts for the activities of the Town's electric production and distribution operations.

The *solid waste management fund* accounts for the activities of the Town's refuse collection and processing 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.

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. Indirect expenses of the governmental funds are allocated based on the direct expenses of the various functions of the government.

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, electric enterprise fund, and refuse enterprise fund are charges to customers for sales and services. 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted 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, short-term investments with original maturities of three months or less from the date of acquisition, government securities backed mutual funds and marketable certificates of deposit.

Investments for the government are reported at fair value. The State Treasurer's Local Government Investment Pool (LGIP) and Virginia SNAP bond fund deposits operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

Activities 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 Warren 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. In 2010, the Town changed from an annual billing on December 5 to a semi-annual billing which occurs on June 5 and December 5. Personal property taxes are billed with pro-ration throughout the year.

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. Inventories and Other Assets

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Restricted Assets

Customer Deposits - Cash funds of the enterprise funds are restricted for customer deposits held.

Bond Escrow Funds - Cash funds of the sewer fund for acquisition and construction of infrastructure.

5. 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.

6. 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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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 intangible 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 town has adopted the GFOA Capitalization Threshold recommendation of \$5,000.

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

Type of Asset	Years
Buildings	35 - 50
Improvements other than buildings	10 - 50
Equipment and vehicles	5 - 10
Infrastructure	30 - 50

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid accumulated sick leave is limited since the government does not have a full obligation when an employee separates from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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 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. Bond issuance costs are expensed as incurred.

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

9. Other Postemployment Benefits (OPEB)

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. This statement requires governments to recognize an expense under the accrual basis for annual required other postemployment benefits contributions, regardless of amounts paid. Additionally, the total net OPEB liability (or net OPEB asset) is reported as the difference between the actuarial present value of projected benefits attributed to past periods of employee services and the plan fiduciary net asset position.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. 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 Front Royal 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 OPEB and pension obligations 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 obligation results from advance payments on the 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 Front Royal 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 and OPEB 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 inflow results from the net difference between projected and actual earnings on plan investments.

11. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued and the Town has adopted Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable Fund Balance – Balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted Fund Balance – Balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Balance (Continued)

Committed Fund Balance – Balances include amounts that can be used only for the specific purposes determined by a formal action of the Town Council (the Town’s highest level of decision-making authority).

Assigned Fund Balance – Balances intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned Fund Balance – Residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

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 purpose).

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General fund encumbrances totaling approximately \$11,702,204 have been classified as assigned under fund balance.

12. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The caption net position “net invested in capital assets” consists of capital assets, net of accumulated depreciation, reduced by any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets also includes an adjustment for deferred outflows or inflows related to gains or losses associated with debt issuances or refundings. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

The Town first applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net assets are available.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Comparative Data

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

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.

F. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2021 the Town implemented where applicable the following new accounting pronouncements and guides issued by the Government Accounting Standards Board (GASB):

- GASB Statement No. 84, "Fiduciary Activities."
- GASB Statement No. 90, "Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61."

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 87, "Leases." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.
- GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021.
- GASB Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.
- GASB Implementation Guide No. 2019-3, "Leases." The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2022.
- GASB Statement No. 92, "Omnibus." Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.
- GASB Statement No. 93, "Replacement of Interbank Offered Rates." Effective date is for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Recently Issued Accounting Standards (Continued)

- GASB Statement No. 96, “Subscription-based Information Technology Arrangements.” The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.
- GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.” This Statement is effective immediately and others for reporting periods beginning after June 15, 2021.

The impact of these pronouncements on the Town’s financial statements has not yet been determined.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds, notes, advances, and other post-employment benefits payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$12,550,736 are as follows:

Description	Amount
Compensated absences	\$ 895,504
OPEB liability - health insurance benefit	2,681,478
Equipment purchase loan	577,182
Police facility loan	8,396,572
Net adjustment to reduce <i>fund balance - total governmental</i>	<u>\$ 12,550,736</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Government Wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of the \$3,779,504 difference is as follows:

Description	Amount
Capital outlay	\$ 1,264,510
Depreciation expense	(5,044,014)
Net adjustment to increase <i>net changes in fund balances -total governmental</i>	<u>\$ (3,779,504)</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the downtown service district, capital project and debt service funds. All annual appropriations lapse at fiscal year-end.

On or before April 1 of each year, all agencies of the government submit requests for appropriations to the government's manager so that a budget may be prepared. Before June 1 the proposed budget is presented to the government's council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several general fund budgetary appropriations throughout the year, totaling \$4,771,614.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2021, there were no departments with expenditures which exceeded appropriations.

C. Deficit Fund Balance

At June 30, 2021 Non major Governmental Funds which had a deficit fund balance are noted below:

Fund	Deficit Fund Balance
Economic Development	\$ 494,822

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

As of June 30, 2021 the carrying amount of the Town's deposits with bank and savings institutions was \$2,274,793 and the bank balance was \$2,768,517.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Deposits (Continued)

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury

Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Investment policy. The Town’s investment policy targets the following objectives, in order of priority, legality, safety, liquidity, and yield. The Director of Finance for the Town is responsible for administering its investments and ensuring compliance with the Town’s policies and statutory requirements.

In accordance with the laws of the Commonwealth and Town policy, investments authorized to be held by the Town are: 1. *Treasury Securities* - Bonds, notes, and bills issued by the United States Treasury maturing within five years of the date of purchase, or certificates representing ownership of treasury bond principal or coupons payable with five years; 2. *Agency Securities* - Fixed rate obligation issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Associate, the Federal Farm Credit Bank, or the Federal Loan Mortgage Corporation, maturing within five years of the date of purchase; 3. *Prime Commercial Paper* - Commercial paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody’s and A-1 or higher by Standard & Poor’s, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated A or better by Moody’s and Standard & Poor’s; 4. *Certificates of Deposit* - Certificates of deposit maturing within one year and issued by domestic banks rated P-1 by Moody’s and A-1 by Standard & Poor’s; 5. *Bankers’ Acceptances* - Bankers’ acceptances maturing within 180 days rated P-1 or higher by Moody’s and A-1 or higher by Standard & Poor’s, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA or higher by Moody’s and Standard & Poor’s; 6. *Commonwealth of Virginia and Virginia Local Government Obligations* - General obligations, insured obligations, or revenue bonds secured by debt service reserve funds not subject to annual appropriation

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

rated AA or higher by Moody's or Standard & Poor's; 7. *Repurchase Agreements* - Repurchase agreements collateralized by securities provided for investment herein, provided that the counterparty is rated A or better by Moody's and Standard & Poor's and the collateral is held by an independent third party; 8. *Open-End Investment Funds* - Open-end investment funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein; 9. *Virginia Local Government Investment Pool (LGIP)* - The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares. i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's;

10. *Virginia State Non-Arbitrage Program (SNAP)* - Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Section 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's; 11. *Federally Insured Certificates of Deposit (CDARS)* - Federally insured certificates of deposit issued through the Certificates of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that: a. The funds are initially invested by the Town through a financial institution that is participating in CDARS and that is located and doing business in Virginia; b. The financial institution in Virginia receives reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested by the Town; and c. Each such certificate of deposit is issued in an amount that is eligible for full FDIC insurance coverage for up to a maximum total of \$50 million in qualified investments held.

Credit risk. Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2021, all of the Town's investments were invested in "AA+" or better rated securities. All credit ratings presented in this paragraph are Standard & Poor's ratings.

Interest rate risk. Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates and to comply with the laws of the Commonwealth, the Town's policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2021, the government had the following investments:

Investment Type	Fair Value	Maturity	
		1 Year	Over 1 Year
Marketable CDs	\$ 3,139,925	\$ 1,719,951	\$ 1,419,974
Money market cash accounts	7,095,860	7,095,860	-
Governmental securities	14,302,974	1,683,597	12,619,377
Local government investment pool (LGIP)	3,143,492	3,143,492	-
Banking account sweep investment	25,599,507	25,599,507	-
Total	\$ 53,281,758	\$ 39,242,407	\$ 14,039,351

A reconciliation of cash on hand, bank deposits and investments is as follows:

Footnote Classification	Combined Balance Sheet Classifications		
	Total	Cash and Equivalents	Investments
Petty Cash	\$ 1,980	\$ 1,980	\$ -
Bank Deposits	2,274,793	2,274,793	-
Investments	53,281,758	38,978,784	14,302,974
Total	\$ 55,558,531	\$ 41,255,557	\$ 14,302,974

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2021:

- Marketable CDs, governmental securities and governmental securities mutual funds are valued using quoted market prices (Level 1 inputs)
- Banking accounting sweep investment is stated at \$1.00 par for \$1.00 deposit (Level 2 inputs)
- LGIP investment pools are excluded from the fair value hierarchy. There are no use or withdraw restrictions as it is a Commonwealth of Virginia municipal pool.

B. Estimated Unbilled Revenue

Proprietary fund types estimate and record utility services rendered but not yet billed at June 30, 2021. The amounts are determined by reviewing the Town's utility billing rendered prior to year-end and estimated the unbilled service to year-end. At June 30, 2021, unbilled service recorded was \$1,581,283.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Receivables

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

Description	General	Electric	Water	Sewer	Solid Waste	Nonmajor	Total
Receivables:							
Delinquent taxes	\$ 2,157,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,157,128
Accounts	-	1,278,808	303,090	302,834	95,534	-	1,980,266
Intergovernmental	402,133	-	-	-	-	-	402,133
Unbilled	-	868,248	342,421	328,735	51,212	-	1,590,616
Other	96,879	47,906	-	15,051	-	-	159,836
Less: allowance	-	(322,647)	(31,974)	(48,597)	(28,747)	-	(431,965)
Net receivables	\$ 2,656,140	\$ 1,872,315	\$ 613,537	\$ 598,023	\$ 117,999	\$ -	\$ 5,858,014

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 various components of the unearned revenue reported in the governmental funds were as follows:

Fund/Type	Unavailable	Unearned
General Fund - Property Taxes	\$ 2,047,727	\$ -
Special Revenue Fund - Property Taxes	-	-
	\$ 2,047,727	\$ -

D. Due from Other Governments

At June 30, 2021 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia	
Personal Property Tax Relief Act	\$ 287,000
Communications Tax	11,480
Warren County, Virginia - Sales Tax	103,653
	\$ 402,133

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,304,316	\$ -	\$ -	\$ 1,304,316
Construction in progress	-	-	-	-
	<u>1,304,316</u>	<u>-</u>	<u>-</u>	<u>1,304,316</u>
Capital assets being depreciated				
Buildings and improvements	20,766,872	1,127,560	-	21,894,432
Vehicles	2,545,432	21,790	-	2,567,222
Equipment	4,736,228	115,160	-	4,851,388
Infrastructure	124,617,285	-	-	124,617,285
Total	<u>152,665,817</u>	<u>1,264,510</u>	<u>-</u>	<u>153,930,327</u>
Less accumulated depreciation for				
Buildings and improvements	(2,942,922)	(528,479)	-	(3,471,401)
Vehicles	(1,935,671)	(205,764)	-	(2,141,435)
Equipment	(3,942,810)	(223,958)	-	(4,166,768)
Infrastructure	(90,588,360)	(4,085,813)	-	(94,674,173)
Total	<u>(99,409,763)</u>	<u>(5,044,014)</u>	<u>-</u>	<u>(104,453,777)</u>
Net capital assets being depreciated	<u>53,256,054</u>	<u>(3,779,504)</u>	<u>-</u>	<u>49,476,550</u>
Governmental capital assets, net	<u>\$ 54,560,370</u>	<u>\$ (3,779,504)</u>	<u>\$ -</u>	<u>\$ 50,780,866</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Activity	Depreciation
Governmental activities:	
General government	\$ 253,310
Public safety	352,538
Public works	230,107
Planning, zoning, and community development	122,246
Infrastructure depreciation	4,085,813
Total depreciation expense - governmental activities	<u>\$ 5,044,014</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,488,822	\$ -	\$ -	\$ 1,488,822
Construction in process	-	-	-	-
	<u>1,488,822</u>	<u>-</u>	<u>-</u>	<u>1,488,822</u>
Capital assets being depreciated				
Buildings and improvements	86,464,776	4,824,172	-	91,288,948
Utility distribution systems	57,696,456	911,133	-	58,607,589
Vehicles	3,722,963	269,177	-	3,992,140
Equipment	4,791,741	1,185,145	-	5,976,886
Total	<u>152,675,936</u>	<u>7,189,627</u>	<u>-</u>	<u>159,865,563</u>
Less accumulated depreciation for				
Buildings and improvements	(15,066,065)	(2,092,443)	-	(17,158,508)
Utility distribution systems	(35,696,312)	(1,153,929)	-	(36,850,241)
Vehicles	(3,350,217)	(179,886)	-	(3,530,103)
Equipment	(4,201,057)	(285,739)	-	(4,486,796)
Total	<u>(58,313,651)</u>	<u>(3,711,997)</u>	<u>-</u>	<u>(62,025,648)</u>
Net capital assets being depreciated	<u>94,362,285</u>	<u>3,477,630</u>	<u>-</u>	<u>97,839,915</u>
Business-type capital assets, net	<u>\$ 95,851,107</u>	<u>\$ 3,477,630</u>	<u>\$ -</u>	<u>\$ 99,328,737</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Activity	Depreciation
Business-type activities:	
Electric	\$ 652,088
Water	956,070
Sewer	2,024,147
Solid Waste Management	79,692
Total depreciation expense - business-type activities	<u>\$ 3,711,997</u>

There were no significant intangible asset acquisitions during the fiscal year ended June 30, 2021.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Interfund Advances/Transfers

Interfund advances are for reimbursement for debt payments made for other funds. Advance to the General Fund from the Electric Funds was for the purchase of a town administration building. The composition of interfund advances at June 30, 2021 is as follows:

Advanced to	From	Amount
General Fund	Electric Fund	\$ 337,734
General Fund	Sewer Fund	102,492
General Fund	Water Fund	200,409
Special Projects	Sewer Fund	48,515
Special Projects	Water Fund	48,515
Special Revenue	General Fund	49,915
Sewer Fund	Economic Development Fund	2,250
Sewer Fund	Water Fund	506,397
Water Fund	Economic Development Fund	2,250
Water Fund	Electric Fund	14,747
Solid Waste Management	Electric Fund	18,182
		<u>\$ 1,331,406</u>

Transfers to the General Fund from the Electric, Water, Sewer and Solid Waste Management Funds are for administrative services performed by the general government. The composition of inter-fund transfers during 2021 is as follows:

Transferred to	From	Amount
General Fund	Electric Fund	\$ 1,871,065
General Fund	Water Fund	493,475
General Fund	Sewer Fund	592,935
General Fund	Solid Waste Management Fund	(93,619)
		<u>\$ 2,863,856</u>

G. Long-Term Liabilities

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. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with amounts of principal maturing each year.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

General obligation bonds and other debt outstanding at June 30, 2021 are as follows:

Description	Amount
<i>General Obligation Bonds:</i>	
\$6,110,000, 2014 series General Obligation Bonds, issued May 21, 2014 due in increasing annual maturities starting with \$15,000 in 2014 and increasing to \$740,000 in 2026, with interest at 3.13% to 4.83%.	\$ 3,980,000
\$2,835,000, 2014 series General Obligation Bonds, issued May 21, 2014 due in increasing annual maturities starting with \$95,000 in 2015 and increasing to \$200,000 in 2034, with interest at 3.13% to 4.84%.	2,215,000
\$39,377,600 2014C series General Obligation Bonds, issued December 17, 2014, no state interest payable, 2015 - 2016 draws \$16,944,341, due in semi-annual payments of \$984,440 starting March, 2018.	31,207,594
Total bonded debt	37,402,594
<i>Notes Payable:</i>	
\$235,284 loan dated April 27, 2017 with Brank Banking and Trust Company, with semi annual payments of \$13,330 and annual interest rate of 2.46%, due April 27, 2027.	147,868
\$550,000 equipment financing with U.S. Bancorp Government Leasing and Finance, Inc., with semi annual payments of \$32,653 and annual interest rate of 3.39%, due November 8, 2028.	429,314
\$176,298 loan dated November 29, 2018 with Union Bank Trust, with semi annual payments of \$20,859 and annual interest rate of 3.850%, due November 16, 2023.	87,802
\$8,483,001 loan dated March 11, 2021 with United Bank, with monthly payments of \$30,806 and annual interest rate of 1.87%, due March 11, 2051	8,396,572
Total notes payable	9,061,556
Total long-term debt	\$ 46,464,150

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 288,540	\$ 173,099	\$ 2,722,674	\$ 275,429
2023	294,903	166,736	2,749,182	225,835
2024	301,416	160,224	2,752,585	190,931
2025	308,083	153,557	2,778,880	155,065
2026	314,907	146,733	2,818,000	114,994
2027-2031	1,402,490	635,808	11,389,400	231,174
2032-2036	1,340,610	507,763	10,604,400	58,752
2037-2041	1,471,897	376,478	1,675,275	-
	1,616,040	236,335	-	-
	1,634,868	74,362	-	-
Total	\$ 8,973,754	\$ 2,631,095	\$ 37,490,396	\$ 1,252,180

The legal debt limit mandated by the Commonwealth of Virginia is \$134,324,380.

In May, 2014 the Town issued \$6,110,000 general obligation refunding bonds. The Town issued the bonds to refund the series 2006 general obligation bonds. The advance refunding will reduce total debt service payments over 13 years by \$438,927. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$370,574 and an accounting loss (difference between escrow deposit to fund debt payoff and actual principal paid) of \$617,415.

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

	June 30, 2020	Additions	Retirements	June 30, 2021	One Year
Governmental activities:					
Compensated absences	\$ 947,629	\$ 895,503	\$ (947,629)	\$ 895,503	\$ 895,503
OPEB - Health	2,571,459	110,019	-	2,681,478	-
Advance from EDA	8,406,148	-	(8,406,148)	-	-
Police facility loan payable	-	8,483,001	(86,429)	8,396,572	214,191
Equipment notes payable	649,281	-	(72,098)	577,183	74,349
Unfunded pension, GLI and LODA	6,602,886	669,503	-	7,272,389	-
Governmental activity					
Long-term liabilities	\$ 19,177,403	\$10,158,026	\$ (9,512,304)	\$ 19,823,125	\$1,184,043

The liability for compensated absences is expected to be fully liquidated by the general fund. Other post-employment benefits liquidated within one year is prorated based on actual payments for the benefit.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

	June 30, 2020	Additions	Retirements	June 30, 2021	One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 40,051,474	\$ -	\$ (2,648,880)	\$ 37,402,594	\$2,683,880
Unamortized premium	625,913	-	(80,419)	545,494	-
Loans payable	123,186	-	(35,384)	87,802	38,794
Compensated absences	373,597	344,295	(373,597)	344,295	172,149
OPEB - Health	1,245,539	-	52,971	1,298,510	-
Unfunded pension and GLI	2,684,727	269,615	-	2,954,342	-
Business-type activity					
Long-term liabilities	\$ 45,104,436	\$ 613,910	\$ (3,085,309)	\$ 42,633,037	\$2,894,823

Advance from EDA.: The Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia BDA Economic Development Authority (EDA) provided advanced funding for the construction of a new police department facility. Permanent financing was completed in fiscal year 2021 and the advance was paid back.

Compensated absences due within one year disclosed by individual fund is estimated as follows:

Individual Fund	Due Within	
	1 Year	Long-term
General	\$ 895,503	\$ -
Electric	\$ 73,722	\$ 73,722
Water	40,346	40,345
Sewer	41,135	41,134
Solid Waste Management	16,946	16,945
	\$ 172,149	\$ 172,146

V. OTHER INFORMATION

A. 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:

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2021 the Town paid premiums of approximately \$159,174 to VMGSIA.

VMLP: The Town has general and excess liability, automobile, property, boiler and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with the Virginia Municipal Liability Pool (VMLP). During the fiscal year 2021, the Town paid contributions of approximately \$320,205 to the VMLP.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Surety Bonds

The Town maintains a \$100,000 blanket surety bond on all employees through the Virginia Municipal Liability Pool Insurance Program.

C. Commitments and Contingent Liabilities

Litigation: The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town, through discussion with its legal counsel, these matters will not have a material adverse effect on the financial condition of the Town.

EDA Project Support: The Front Royal Warren County, Virginia Economic Development Authority (EDA) sponsors and develops commercial activity throughout the Town of Front Royal and Warren County. By agreement and by annual appropriation, the Town and County have agreed to support various economic development projects. For the year ended June 30, 2021 the Town, by budget adoption, suspended EDA project support payments.

D. Post-Employment Benefits Other Than Pensions – Health Benefit

Plan Description: The Town of Front Royal Virginia retiree health insurance coverage policy extends the benefits to employees hired before July 1, 2015. The policy states that the Town will provide healthcare insurance premium cost benefits for eligible retirees up to 25% of actual premium costs. The plan is provided through the Town's group health insurance plan which covers both retirees and active employees. The premium payment cost benefits are earned at 1% per year of employment, coverage is extended from retirement to age 65 and the benefit is earned only upon retirement from Town employment.

The benefit obligation retiree benefits are established through Town adopted employee policies.

Funding Policy: Payments are made monthly to cover the Town's portion of the retiree health insurance premiums. For fiscal year 2021, 26 retirees had a benefit under this policy with a total cost to the Town of \$48,485.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

D. Post-Employment Benefits Other Than Pensions (Continued)

Annual OPEB Cost and Net OPEB Obligation: The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation.

Component	FYE 6/30/21
Annual required contribution	\$ 209,933
Interest on Net OPEB obligations	79,280
Adjustment to annual required contribution (deferred inflows)	(86,622)
Annual OPEB cost (expense)	202,591
Contributions made	(54,234)
Change in assumptions	14,633
Increase in net OPEB obligation	162,990
Net unfunded OPEB obligation - Beginning of year	3,816,998
Net unfunded OPEB obligation - End of year	\$ 3,979,988

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation the five years 2017 to 2021 is as follows:

FYE June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2021	\$ 202,591	25.78%	\$ 3,979,988
2020	232,368	28.57%	3,816,998
2019	296,198	15.50%	4,311,268
2018	267,644	19.68%	4,061,011
2017 Restated	-	0.00%	3,843,406
2017 Restatement adjustment	-	0.00%	1,994,556
2017	272,438	23.84%	1,848,850

The Town has elected not to pre-fund the OPEB liability. The Town anticipates continuing to pay the annual actual cash cost requirements. The OPEB annual expense is recorded by the actuarial calculated annual cost.

At June 30, 2021 the Town has recorded a liability of \$3,979,988 on the Statement of Net Position for the governmental and business-type activities.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

D. Post-Employment Benefits Other Than Pensions (Continued)

Funding Status and Funding Progress: As of June 30, 2019, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$3,585,582. The covered payroll (annual payroll of active employees covered by the plan) was \$8,511,757, and the ratio of the UAAL to the covered payroll was 42.13%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

June 30, 2019 actuarial valuation methods and assumption are as follows:

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent of Payroll
Amortization Period:	30 years open periods
Asset Valuation Method:	N/A
Actuarial Assumptions:	
Investment Rate of Return:	2.16%
Healthcare Cost Trend Rate:	Getzen Trend Model
Payroll Growth:	2.5% per year

Required Supplementary Information: Schedules of funding progress and employer contributions are presented as required supplementary information. This information is intended to help users assess the funding status on an on-going concern basis and assess progress made in accumulating assets to pay benefits when due.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows or 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 VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Plan Description

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

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

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>
- <https://www.varetirement.org/hybrid.html>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

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

	June 30, 2019 Number
Inactive members or their beneficiaries currently receiving benefits	143
Inactive members:	
Vested inactive members	29
Non-vested inactive members	65
Inactive members active elsewhere in VRS	61
Total inactive members	155
Active members	165
Total covered employees	463

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2021 was 12.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$956,599 and \$902,333 for the years ended June 30, 2021 and 2020.

Net Pension Liability

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees

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

Inflation	2.5 percent
Salary increases, including inflation	3.0 - 5.35 percent
Investment rate of return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality Rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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

Actuarial Assumptions – Public Safety Employees

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 45% of Deaths are Assumed to be Service Related
Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (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
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic normal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projection are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 41,934,988	\$ 34,019,352	\$ 7,915,636
Changes for the year:			
Service cost	924,296	-	924,296
Interest	2,754,505	-	2,754,505
Changes of assumptions	-	-	-
Differences between expected and actual experience	(893,252)	-	(893,252)
Contributions - employer	-	936,681	(936,681)
Contributions - employee	-	376,109	(376,109)
Net investment income	-	644,025	(644,025)
Benefit payments, including refunds of employee contributions	(2,255,024)	(2,255,024)	-
Administrative expenses	-	(22,414)	22,414
Other changes	-	(948)	948
Net changes	530,525	(321,571)	852,096
Balances at June 30, 2020	\$ 42,465,513	\$ 33,697,781	\$ 8,767,732

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability	\$ 14,009,897	\$ 8,767,732	\$ 4,412,291

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

For the year ended June 30, 2021, the Town recognized pension expense of \$1,643,314. At June 30, 2021 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	\$ 128,382	\$ 600,615
Change in assumptions	408,430	-
Net difference between projected and actual earnings on pension plan investments	1,006,771	-
Employer contributions subsequent to the measurement date (note below)	-	-
Total	\$ 1,543,583	\$ 600,615

Contributions to the plan made subsequent to the measurement date of \$1,023,970 are reported by the employer separate from the actuarial valuation at June 30, 2020 and are included and reported as a deferred outflow of resources.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

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
2021	\$ 229,460
2022	59,553
2023	330,015
2024	323,940
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

F. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Town implemented GASB Statement No. 32 requiring changes to the accounting and financial reporting for the deferred compensation plans created in accordance with Internal Revenue Code 457. The plans are administered by independent plan administrators through administrative service agreements. The Town's administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing functions. Amendments to the laws governing Section 457 plans substantially became effective January 1, 1997. The Town approved plan amendments such that plan assets are held in trust for the benefit of the plan participants and their beneficiaries. The financial activity of these plans is no longer reported in the Town's Agency Fund.

G. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set below:

Eligible Employees: The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts: The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- *Death* - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - o \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
 - o \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - o An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

- *Health Insurance* - The Line of Duty Act program provides health insurance benefits.
 - o Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
 - o Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$26,819 and \$26,819 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the measurement date for fiscal year ended June 30, 2021, the entity reported a liability of \$826,532 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.19735% as compared to 0.19983% at June 30, 2019.

For the fiscal year ended June 30, 2021, the entity recognized LODA OPEB expense of \$72,159. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

At June 30, 2020, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,738	\$ 112,683
Net difference between projected and actual earnings	-	1,175
Change in assumptions	221,269	51,506
Changes in proportion	44,624	70,592
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 353,631</u>	<u>\$ 235,956</u>

Employer contributions subsequent to the measurement date of \$26,540 were expensed for the fiscal year ended June 30, 2021.

There were no amounts reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30,	Amortization
2021	\$ 15,281
2022	15,459
2023	15,648
2024	15,704
2025	15,764
Thereafter	39,819

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rate assumption -	
Under age 65	7.00 percent - 4.75 percent
Ages 65 and older	5.375 percent - 4.75 percent
Investment rate of return	2.21 percent, net of pension plan investment expense, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates to 50 and older projected with Scale BB to 2020; males set forward 1 year with 1% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2018 actuarial valuation results which were rolled forward to the measurement date of June 30, 2020. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2019, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

Description	LODA
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	4,333
Employers' Net OPEB Liability (Asset)	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	<u>1.02%</u>

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	<u>\$ 981,082</u>	<u>\$ 826,532</u>	<u>\$ 710,036</u>

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	<u>\$ 683,157</u>	<u>\$ 826,532</u>	<u>\$ 1,014,067</u>

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set below:

Eligible Employees: The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

Benefit Amounts: The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit* – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit* – The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions* – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - o Accidental dismemberment benefit
 - o Safety belt benefit
 - o Repatriation benefit
 - o Felonious assault benefit
 - o Accelerated death benefit option

Reduction in Benefit Amounts: The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$40,557 and \$41,038 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

GLI OPEB Liabilities, CLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2020, the measurement date for the fiscal year ended June 30, 2021, the entities reported a liability of \$632,489 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.03790% as compared to 0.040026 % at June 30, 2019.

For the fiscal year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$19,515. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,568	\$ 5,680
Net difference between projected and actual earnings	18,999	-
Change in assumptions	31,632	13,207
Changes in proportion	3,703	31,996
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 94,902</u>	<u>\$ 50,883</u>

Employer contributions subsequent to the measurement date of \$41,614 were expensed for the fiscal year ended June 30, 2021.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

\$44,019 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30,	Amortization
2021	\$ 6,201
2022	9,467
2023	12,448
2024	12,581
2025	3,102
Thereafter	220

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each age and service through
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rates from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates to 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, unisex using 100% male.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Description	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	<u>52.64%</u>

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic normal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the total GLI Net OPEB Liability	\$ 831,455	\$ 632,489	\$ 470,910

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

I. Subsequent Events

The Town has evaluated events and transactions subsequent to June 30, 2021 through October 12, 2021, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the basic financial statements for the year ended June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 924,296	\$ 855,832	\$ 817,668	\$ 839,589	\$ 838,443	\$ 763,448	\$ 772,812
Interest	2,754,505	2,661,052	2,577,315	2,534,294	2,452,835	2,348,782	2,265,421
Changes of assumptions	-	1,171,848	-	(318,380)	-	-	-
Differences between expected and actual experience	(893,252)	368,346	(7,181)	(304,814)	100,624	503,756	-
Changes in assumptions	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,255,024)	(2,274,225)	(2,108,908)	(2,163,295)	(2,293,121)	(1,965,892)	(1,728,823)
Net change in total pension liability	530,525	2,782,853	1,278,894	587,394	1,098,781	1,650,094	1,309,410
Total pension liability - beginning	41,934,988	39,152,135	37,873,241	37,285,847	36,187,066	34,536,972	33,227,562
Total pension liability - ending (a)	\$ 42,465,513	\$ 41,934,988	\$ 39,152,135	\$ 37,873,241	\$ 37,285,847	\$ 36,187,066	\$ 34,536,972
Plan fiduciary net position							
Contributions - employer	\$ 936,681	\$ 952,791	\$ 1,003,374	\$ 983,818	\$ 1,011,174	\$ 964,775	\$ 1,028,333
Contributions - employee	376,109	382,999	377,390	364,069	351,767	375,118	336,567
Net investment income	644,025	2,160,207	2,299,527	3,458,423	486,430	1,291,269	3,920,829
Benefit payments, including refunds of employee contributions	(2,255,024)	(2,274,225)	(2,108,908)	(2,163,295)	(2,293,121)	(1,965,892)	(1,728,823)
Administrative expense	(22,414)	(21,868)	(20,098)	(20,391)	(18,467)	(18,055)	(21,238)
Other	(948)	(1,358)	(2,037)	(3,056)	(210)	(275)	207
Net change in total net pension position	(321,571)	1,198,546	1,549,248	2,619,568	(462,427)	646,940	3,535,875
Total net pension position - beginning	34,019,352	32,820,806	31,271,558	28,651,990	29,114,417	28,467,477	24,931,602
Total net pension position - ending (b)	\$ 33,697,781	\$ 34,019,352	\$ 32,820,806	\$ 31,271,558	\$ 28,651,990	\$ 29,114,417	\$ 28,467,477
Town's net pension liability - ending (a) - (b)	\$ 8,767,732	\$ 7,915,636	\$ 6,331,329	\$ 6,601,683	\$ 8,633,857	\$ 7,072,649	\$ 6,069,495
Plan fiduciary net position as a percentage of the total pension liability	79.35%	81.12%	83.83%	82.57%	76.84%	80.46%	82.43%
Covered payroll	\$ 7,738,915	\$ 8,072,144	\$ 7,703,337	\$ 7,425,456	\$ 7,181,524	\$ 6,898,938	\$ 6,804,987
Town's net pension liability as a percentage of covered-employee payroll	113.29%	98.06%	82.19%	88.91%	120.22%	102.52%	89.19%

Additional years will be added for full 10 year historical data.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO THE SUPPLEMENTAL PENSION SCHEDULES

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on liabilities as of the measurement date of June 30, 2020 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2020 based on the most recent experience study of the System for the four-year period ending June 30, 2020:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB HEALTH INSURANCE LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	Entity Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Total OPEB liability							
Service cost	\$ 209,933	\$ 177,554	\$ 144,630	\$ 149,146	\$ 275,300	\$ 266,400	\$ 238,300
Interest	79,280	143,687	148,984	136,420	50,663	47,155	34,618
Change of assumptions	14,634	(768,297)	2,583	(17,922)	(53,525)	(49,819)	(31,060)
Benefit payments, including refunds of employee contributions	(140,857)	(50,730)	(45,940)	(52,681)	(64,956)	(55,631)	(45,794)
Net change in total OPEB liability	162,990	(497,786)	250,257	214,963	207,482	208,105	196,064
OPEB Liability Beginning	3,816,998	4,311,268	4,061,011	1,848,850	1,641,368	1,433,264	1,233,430
Restatement - 2017	-	-	-	1,994,556	-	-	-
Adjustment	-	3,516	-	2,642	-	-	3,770
Total OPEB liability - beginning	3,816,998	4,314,784	4,061,011	3,846,048	1,641,368	1,433,264	1,237,200
Total OPEB liability - ending (a)	\$ 3,979,988	\$ 3,816,998	\$ 4,311,268	\$ 4,061,011	\$ 1,848,850	\$ 1,641,369	\$ 1,433,264
Plan fiduciary net position							
Contributions - employer	\$ 54,234	\$ 50,730	\$ 45,940	\$ 52,681	\$ 64,956	\$ 55,631	\$ 45,794
Benefit payments, including refunds of employee contributions	(54,234)	(50,730)	(45,940)	(52,681)	(64,956)	(55,631)	(45,794)
Net change in total net OPEB position	-	-	-	-	-	-	-
Total net OPEB position - beginning	-	-	-	-	-	-	-
Total net OPEB position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's net OPEB liability - ending (a) - (b)	\$ 3,979,988	\$ 3,816,998	\$ 4,311,268	\$ 4,061,011	\$ 1,848,850	\$ 1,641,369	\$ 1,433,264
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 8,511,757	\$ 8,324,014	\$ 7,384,438	\$ 7,384,438	\$ 7,404,500	\$ 7,404,500	\$ 6,153,700
Town's net OPEB liability as a percentage of covered-employee payroll	46.76%	45.86%	58.38%	54.99%	24.97%	22.17%	23.29%

Additional years will be added for full 10 year historical data.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO THE REQUIRED SUPPLEMENTARY HEALTH INSURANCE SCHEDULES

The following reflects the actuarial assumptions and methods used in the valuation of the Towns OPEB Health benefit:

Assumption	Description
Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.50%
Medical Trend Rate	Please see 06/30/2020 GASB 75 report
Salary increases including inflation	Please see 06/30/2020 GASB 75 report

**TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET LODA OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

		Plan Year			
		2020	2019	2018	2017
Employer's Proportion of the Net LODA OPEB Liability (Asset)		0.19735%	0.19983%	0.21840%	0.19464%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)		826,532	717,000	685,000	511,000
Covered Payroll	**	1,774,880	1,623,007	1,453,570	1,249,881
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	**	46.57%	44.18%	47.13%	40.88%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since plan year 2017 is the first year for this presentation, limited data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure. See GASB codification section P50.728-1 for related guidance.

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LINE OF DUTY ACT
LAST TEN FISCAL YEARS

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a % of Covered- Employee Payroll (b/c)
2021	\$ 26,540	\$ 26,540	\$ -	\$ 3,123,332 *	0.85% *
2020	26,819	26,819	-	2,934,834 *	0.91% *
2019	23,262	23,262	-	1,623,007 *	1.43% *
2018	20,993	20,993	-	1,453,570 *	1.44% *
2017	7,499	7,499	-	1,249,881 *	0.60% *
2016	5,714	5,714	-	952,401 *	0.60% *
2015	2,961	2,961	-	493,546 *	0.60% *
2014	325	325	-	54,186 *	0.60% *

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure. See GASB codification section P50.728-1 for related guidance.

FY 2014 was the first year data was available for the Line of Duty Act Program (LODA). Additional years will be added.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO THE REQUIRED LODA SUPPLEMENTARY SCHEDULES

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

	Plan Year			
	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03790%	0.04026%	0.04002%	0.04027%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	632,489	655,000	608,000	606,000
Covered Payroll	** 7,738,915	8,072,144	7,703,337	7,425,456
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	** 8.17%	8.11%	7.89%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since plan year 2017 is the first year for this presentation, limited data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - GROUP LIFE INSURANCE
LAST TEN FISCAL YEARS

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a % of Covered- Employee Payroll (b/c)
2021	\$ 41,614	\$ 41,614	\$ -	\$ 7,738,915	0.54%
2020	40,557	40,557	-	8,072,144	0.48%
2019	41,038	41,038	-	7,703,337	0.49%
2018	39,572	39,572	-	7,425,456	0.45%
2017	34,542	34,542	-	7,181,524	0.52%
2016	38,621	38,621	-	6,898,938	0.53%
2015	34,542	38,140	(3,598)	6,804,987	0.52%
2014	32,687	36,092	(3,405)	6,476,778	0.52%
2013	32,294	35,658	(3,364)	6,216,382	0.53%

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO THE REQUIRED GLI SUPPLEMENTARY SCHEDULES

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation

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

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and extended final retirement from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rates from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rates from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

**SUPPLEMENTARY INFORMATION
SECTION**

TOWN OF FRONT ROYAL, VIRGINIA**GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual Revenues	Variance Positive (Negative)
Source of Revenues				
General Property Taxes				
Real estate taxes				
Current taxes, including penalties	\$ 1,025,275	\$ 1,025,275	\$ 1,092,104	\$ 66,829
Delinquent taxes, including penalties	17,000	17,000	19,990	2,990
Personal property taxes				
Current taxes, including penalties	314,350	314,350	423,039	108,689
Public service corporation taxes	25,000	25,000	20,301	(4,699)
Interest on delinquent taxes	20,000	20,000	22,292	2,292
Total General Property Taxes	<u>1,401,625</u>	<u>1,401,625</u>	<u>1,577,726</u>	<u>176,101</u>
Other Local Taxes				
Warren County sales tax	1,084,340	1,084,340	1,218,034	133,694
Business and occupational taxes and penalties	772,100	772,100	827,597	55,497
Franchise taxes	57,000	57,000	72,012	15,012
Consumer taxes - electric deregulation	230,800	230,800	225,195	(5,605)
Vehicle licenses	385,380	385,380	378,663	(6,717)
Bank stock taxes	292,900	292,900	250,993	(41,907)
Lodging taxes	316,000	316,000	228,318	(87,682)
Meal taxes	1,994,000	1,994,000	1,982,307	(11,693)
Payment in lieu of taxes	798,680	798,680	805,142	6,462
Total Other Local Taxes	<u>5,931,200</u>	<u>5,931,200</u>	<u>5,988,261</u>	<u>57,061</u>
Permits, Fees and Licenses				
Zoning income	34,000	34,000	29,008	(4,992)
Public ROW use fees	1,100	1,100	1,661	561
Total Permits, Fees and Licenses	<u>35,100</u>	<u>35,100</u>	<u>30,669</u>	<u>(4,431)</u>
Fines and Forfeitures				
Fines and forfeitures - county	187,000	187,000	143,379	(43,621)
Fines and forfeitures - town	15,000	15,000	11,142	(3,858)
Total Fines and Forfeitures	<u>202,000</u>	<u>202,000</u>	<u>154,521</u>	<u>(47,479)</u>
Revenues from Use of Money and Property				
Interest on bank deposits	122,000	122,000	34,380	(87,620)
Interest on accounts receivable	500	500	179	(321)
Rental - Comcast property	12,045	12,045	45	(12,000)
Total Revenues from Use of Money and Property	<u>134,545</u>	<u>134,545</u>	<u>34,604</u>	<u>(99,941)</u>

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA**GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual Revenues	Variance Positive (Negative)
Charges for Services				
Curb and gutter charges	2,000	2,000	(524)	(2,524)
Street & walk assessment	1,000	1,000	-	(1,000)
Credit card fees	30,000	30,000	17,798	(12,202)
Sales at Visitors' Center	30,000	30,000	5,697	(24,303)
Sales of publications	50	50	100	50
Total Charges for Services	63,050	63,050	23,071	(39,979)
Miscellaneous Revenue				
Miscellaneous	\$ 4,060	\$ 9,200	\$ 45,818	\$ 36,618
Intergovernmental				
Rolling stock tax	25,000	25,000	15,609	(9,391)
Virginia personal property tax reduction	287,000	287,000	287,000	-
Communication tax	135,890	135,890	128,982	(6,908)
Rental tax vehicles	99,000	99,000	73,048	(25,952)
State aid for police and fire	376,295	376,295	401,174	24,879
Highway maintenance	1,971,380	1,971,380	2,030,085	58,705
Grants	12,500	70,425	36,353	(34,072)
ARPA funding	-	-	7,925,590	7,925,590
Warren County CARES funding	-	2,478,116	2,478,116	-
Other reimbursements	95,000	107,785	41,095	(66,690)
Road construction and improvements	124,000	124,000	77,290	(46,710)
Total Intergovernmental	3,126,065	5,674,891	13,494,342	7,819,451
Total General Fund Revenues	10,897,645	13,451,611	21,349,012	7,897,401
Other Financing Sources				
Transfers from other funds	3,222,000	3,222,000	3,222,000	-
Sale of real estate	10,000	10,000	8,207	(1,793)
Insurance recoveries	2,000	2,000	-	(2,000)
Total Other Financing Sources	3,234,000	3,234,000	3,230,207	(3,793)
Total General Fund Revenues and Other Financing Sources	<u>\$ 14,131,645</u>	<u>\$ 16,685,611</u>	<u>\$ 24,579,219</u>	<u>\$ 7,893,608</u>

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Legislative				
Town Council				
Personal service	\$ 61,250	\$ 61,250	\$ 61,238	\$ 12
Contractual service	69,000	61,665	59,665	2,000
Materials and supplies	16,950	21,415	22,676	(1,261)
Travel and communications	7,000	600	631	(31)
Capital outlays	-	7,020	7,019	1
Total Town Council	154,200	151,950	151,229	721
Clerk of Council				
Personal service	10,765	14,905	15,358	(453)
Contractual service	-	80	78	2
Materials and supplies	800	400	119	281
Travel and communications	2,600	1,600	2,058	(458)
Dues and memberships	325	420	416	4
Total Clerk of Council	14,490	17,405	18,029	(624)
Total Legislative	168,690	169,355	169,258	97
Executive				
Town Manager				
Personal service	397,825	379,225	362,411	16,814
Contractual service	39,305	500	497	3
Materials and supplies	6,950	19,530	16,718	2,812
Travel and communications	5,500	5,500	6,923	(1,423)
Dues and memberships	2,000	2,000	620	1,380
Total Town Manager	451,580	406,755	387,169	19,586
Management Services				
Personal service	227,215	185,235	179,920	5,315
Contractual service	42,000	80,850	63,051	17,799
Materials and supplies	39,750	29,750	23,304	6,446
Travel and communications	5,000	5,500	1,505	3,995
Dues and memberships	700	700	375	325
Total Management Services	314,665	302,035	268,155	33,880
Auto/Motorpool				
Personal service	414,855	375,390	356,971	18,419
Contractual service	12,000	12,000	7,945	4,055
Materials and supplies	46,260	45,260	51,829	(6,569)
Travel and communications	5,300	2,300	1,974	326
Utilities	2,000	1,000	453	547
Capital outlays	127,865	180,934	-	180,934
Total Auto/Motorpool	608,280	616,884	419,172	197,712

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Office of Information Technology				
Personal service	\$ 201,026	\$ 199,921	\$ 196,866	\$ 3,055
Contractual service	284,675	357,877	271,223	86,654
Materials and supplies	104,000	114,184	66,884	47,300
Travel and communications	68,600	63,600	71,278	(7,678)
Utilities	-	1,400	1,853	(453)
Capital outlays	75,000	126,206	94,473	31,733
Total Office of Information Technology	733,301	863,188	702,577	160,611
Office of Tourism				
Personal service	-	80,555	81,969	(1,414)
Contractual service	225,000	189,809	133,113	56,696
Materials and supplies	97,860	59,765	18,648	41,117
Travel and communications	-	5,320	5,507	(187)
Dues and memberships	-	2,450	2,200	250
Cultural Activities	9,500	11,815	11,815	-
Total Office of Tourism	332,360	349,714	253,252	96,462
Board of Elections				
Contractual service	13,000	14,539	14,539	-
Total Executive	2,453,186	2,553,115	2,044,864	508,251
Legal				
Town Attorney				
Personal service	341,705	340,400	337,907	2,493
Contractual service	215,000	341,155	138,974	202,181
Materials and supplies	6,000	6,000	3,574	2,426
Travel and communications	4,600	4,600	1,686	2,914
Dues and memberships	1,500	1,500	1,245	255
Total Legal	568,805	693,655	483,386	210,269
Finance				
Finance Department				
Personal service	792,700	781,160	766,775	14,385
Contractual service	1,900	2,100	2,072	28
Materials and supplies	122,475	120,250	113,788	6,462
Travel and communications	7,020	4,100	3,391	709
Dues and memberships	1,170	1,190	1,348	(158)
Capital outlays	-	265	262	3
Total Finance Department	925,265	909,065	887,636	21,429
Total General Government	4,115,946	4,325,190	3,585,144	740,046

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Planning, Zoning and Community Development				
Planning and Zoning				
Personal service	\$ 339,920	\$ 321,910	\$ 316,237	\$ 5,673
Contractual service	52,000	423,700	13,200	410,500
Materials and supplies	7,925	7,925	1,988	5,937
Travel and communications	4,800	3,500	1,303	2,197
Dues and memberships	625	425	100	325
Capital outlays	-	8,100	8,100	-
Total Planning and Zoning	405,270	765,560	340,928	424,632
Economic Development				
Contractual service	9,365	9,000	9,000	-
Materials and supplies	-	-	-	-
Travel and communications	-	-	-	-
Dues and memberships	-	-	-	-
Contributions to other entities	-	1,335,923	1,289,823	46,100
Total Economic Development	9,365	1,344,923	1,298,823	46,100
Boards and Commissions				
Personal service	13,300	10,300	9,230	1,070
Contractual service	875	875	860	15
Materials and supplies	3,600	3,800	3,366	434
Travel and communications	3,500	310	61	249
Joint operations	15,750	16,440	16,439	1
Total Boards and Commissions	37,025	31,725	29,956	1,769
Total Planning, Zoning and Community Development	451,660	2,142,208	1,669,707	472,501
Police				
Police Department				
Personal service	4,813,330	4,721,669	4,581,063	140,606
Contractual service	36,250	26,000	24,466	1,534
Materials and supplies	219,175	228,947	210,367	18,580
Travel and communications	63,600	58,398	37,612	20,786
Dues and memberships	3,450	3,110	2,615	495
Joint operations	24,200	24,903	24,825	78
Capital outlays	141,245	333,463	108,598	224,865
Total Police Department	5,301,250	5,396,490	4,989,546	406,944
Engineering and Public Works				
Engineering				
Contractual service	50,000	50,000	8,747	41,253
Capital outlays	-	-	108	(108)
Total Engineering	50,000	50,000	8,855	41,145

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Streets and Sidewalks				
Personal service	\$ 1,037,555	\$ 882,160	\$ 856,407	\$ 25,753
Contractual service	1,500	3,575	(4,259)	7,834
Materials and supplies	647,300	402,455	347,534	54,921
Travel and communications	12,850	12,050	4,948	7,102
Utilities	32,800	22,800	21,648	1,152
Dues and memberships	700	640	228	412
Capital outlays	973,600	2,663,026	650,652	2,012,374
Total Streets and Sidewalks	2,706,305	3,986,706	1,877,158	2,109,548
General Properties				
Personal service	144,855	154,420	146,430	7,990
Contractual service	13,000	8,895	4,332	4,563
Materials and supplies	55,200	60,350	53,562	6,788
Travel and communications	1,200	1,300	1,601	(301)
Utilities	130,000	129,995	132,510	(2,515)
Capital outlays	125,000	10,415	412	10,003
Total General Properties	469,255	365,375	338,847	26,528
Horticulture				
Personal service	186,604	216,554	197,728	18,826
Contractual service	68,000	79,634	30,256	49,378
Materials and supplies	33,625	37,125	35,487	1,638
Travel and communications	1,700	1,100	1,053	47
Utilities	300	300	238	62
Dues and memberships	-	200	-	200
Capital outlays	-	8,930	8,991	(61)
Total Horticulture	290,229	343,843	273,753	70,090
Total Engineering and Public Works	3,515,789	4,745,924	2,498,613	2,247,311
Nondepartmental				
Fringe benefits	274,000	218,035	216,549	1,486
Insurance	323,000	320,210	320,205	5
Debt service				
Principal	-	-	72,098	(72,098)
Interest	-	-	19,866	(19,866)
Reserve for contingencies	-	1,201,558	-	1,201,558
Total Nondepartmental	597,000	1,739,803	628,718	1,111,085
Subtotal	13,981,645	18,349,615	13,371,728	4,977,887
Transfers to Other Funds				
Economic Development Fund	-	45,500	45,500	-
Proprietary funds	-	358,144	358,144	-
Total Transfers	-	403,644	403,644	-
Total General Fund Expenditures	\$ 13,981,645	\$ 18,753,259	\$ 13,775,372	\$ 4,977,887

TOWN OF FRONT ROYAL, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Asset Forfeitures	Economic Development	Debt Service	Community/ Neighborhood	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 70,662	\$ -	\$ 123,225	\$ 1,339,651	\$ 1,533,538
Interfund advances	-	4,500	-	-	4,500
Total Assets	<u>\$ 70,662</u>	<u>\$ 4,500</u>	<u>\$ 123,225</u>	<u>\$ 1,339,651</u>	<u>\$ 1,538,038</u>
Liabilities					
Bank advances	\$ -	\$ 499,322	\$ -	\$ -	\$ 499,322
Accounts payable	-	-	-	-	-
Interfund advances	49,915	-	-	97,031	146,946
Total Liabilities	<u>49,915</u>	<u>499,322</u>	<u>-</u>	<u>97,031</u>	<u>646,268</u>
Fund Balances					
Restricted for:					
Capital outlays	20,747	-	-	-	20,747
Community development	-	-	-	1,242,620	1,242,620
Assigned for capital projects	-	-	-	-	-
Unassigned	-	(494,822)	123,225	-	(371,597)
Total Fund Balances	<u>20,747</u>	<u>(494,822)</u>	<u>123,225</u>	<u>1,242,620</u>	<u>891,770</u>
Total Liabilities and Fund Balances	<u>\$ 70,662</u>	<u>\$ 4,500</u>	<u>\$ 123,225</u>	<u>\$ 1,339,651</u>	<u>\$ 1,538,038</u>

TOWN OF FRONT ROYAL, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Asset Forfeitures	Economic Development	Debt Service	Community/ Neighborhood	Nonmajor Governmental Funds
Revenues					
Real estate taxes	\$ -	\$ -	\$ -	\$ 669,450	\$ 669,450
Asset forfeitures	6,556	-	-	-	6,556
Intergovernmental	-	-	-	622,525	622,525
Total revenues	<u>6,556</u>	<u>-</u>	<u>-</u>	<u>1,291,975</u>	<u>1,298,531</u>
Expenditures					
Current					
Contractual service	-	-	-	60,468	60,468
Capital outlays	1,385	-	-	756,749	758,134
Debt Service:					
Principal	-	-	8,492,576	-	8,492,576
Interest	-	-	144,456	-	144,456
Total expenditures	<u>1,385</u>	<u>-</u>	<u>8,637,032</u>	<u>817,217</u>	<u>9,455,634</u>
Excess of revenues over expenditures	5,171	-	(8,637,032)	474,758	(8,157,103)
Other Financing Uses					
Transfers in	-	-	277,256	45,500	322,756
Transfers out	-	-	-	(277,256)	(277,256)
Bond proceeds	-	-	8,483,001	-	8,483,001
Total other financing uses	<u>-</u>	<u>-</u>	<u>8,760,257</u>	<u>(231,756)</u>	<u>8,528,501</u>
Net change in fund balances	5,171	-	123,225	243,002	371,398
Fund balances - beginning	15,576	(494,822)	-	999,618	520,372
Fund balances - ending	<u>\$ 20,747</u>	<u>\$ (494,822)</u>	<u>\$ 123,225</u>	<u>\$ 1,242,620</u>	<u>\$ 891,770</u>

TOWN OF FRONT ROYAL, VIRGINIA
ASSET FORFEITURES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Asset forfeitures	\$ 12,000	\$ 6,556	\$ (5,444)
Expenditures			
Contract services	-	-	-
Capital outlays	12,000	1,385	10,615
	<u>12,000</u>	<u>1,385</u>	<u>10,615</u>
Excess of revenues over expenditures	-	5,171	5,171
Fund balances - beginning	<u>15,576</u>	<u>15,576</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 15,576</u></u>	<u><u>\$ 20,747</u></u>	<u><u>\$ 5,171</u></u>

**TOWN OF FRONT ROYAL, VIRGINIA
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ -	\$ -	\$ -
Expenditures			
Contributions to other entities	40,000	-	40,000
Debt Service	-	-	-
Total Expenditures	40,000	-	40,000
Excess of revenues over expenditures	(40,000)	-	40,000
Other Financing Uses			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Uses	-	-	-
Net change in fund balances	(40,000)	-	40,000
Fund balances - beginning	(534,422)	(494,822)	39,600
Fund balances - ending	\$ (574,422)	\$ (494,822)	\$ 79,600

TOWN OF FRONT ROYAL, VIRGINIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ -	\$ -	\$ -
Total Revenues	-	-	-
Expenditures			
Debt Service:			
Principal	8,600,985	8,492,576	(108,409)
Interest	159,272	144,456	(14,816)
Total Expenditures	8,760,257	8,637,032	(123,225)
Excess of revenues over expenditures	(8,760,257)	(8,637,032)	(123,225)
Other Financing Uses			
Transfers in	277,256	277,256	-
Transfers out	-	-	-
Bond proceeds	8,483,001	8,483,001	-
	8,760,257	8,760,257	-
Net change in fund balances	-	123,225	(123,225)
Fund balances - beginning	-	-	-
Fund balances - ending	\$ -	\$ 123,225	\$ 123,225

**TOWN OF FRONT ROYAL, VIRGINIA
COMMUNITY/NEIGHBORHOOD REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ 669,450	\$ 669,450	\$ -
Meals taxes	-	-	-
CDBG grant	104,000	622,525	518,525
Total Revenues	773,450	1,291,975	518,525
Expenditures			
Contractual services	890,284	60,468	829,816
Capital outlays	1,001,052	756,749	244,303
Total Expenditures	1,891,336	817,217	1,074,119
Excess of revenues over expenditures	(1,117,886)	474,758	(1,592,644)
Other Financing Uses			
Transfers in	45,500	45,500	-
Transfers out	(277,256)	(277,256)	-
	(231,756)	(231,756)	-
Net change in fund balances	(1,349,642)	243,002	(1,592,644)
Fund balances - beginning	999,618	999,618	-
Fund balances - ending	\$ (350,024)	\$ 1,242,620	\$ 1,592,644

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF DIRECTOR OF FINANCE'S ACCOUNTABILITY
JUNE 30, 2021

Assets held by the Director of Finance

Cash on hand		\$	1,980
Cash in banks			
Union Bank & Trust - checking			(493,723)
Certificates of deposit			
BB&T	\$	350,000	
Sonabank		128,889	
Atlantic Union Bank		2,265,024	
City National Bank		24,604	
			<hr/>
			2,768,517
Virginia Local Government Investment Pool			3,143,492
Union Bank & Trust - banking sweep account			25,599,506
Middleburg Financial Trust - fixed income securities			1,682,115
Middleburg Financial Trust - fixed income securities			<hr/>
			22,856,644
Total Assets		\$	<hr/> <hr/> 55,558,531

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF DIRECTOR OF FINANCE'S ACCOUNTABILITY TO THE TOWN
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Funds			2021 Totals (Memorandum Only)	2020 Totals (Memorandum Only)
	General	Non Major	Proprietary Funds		
Balance July 1, 2020	\$ 14,473,801	\$ 664,564	\$ 30,761,423	\$ 45,899,788	\$ 47,056,278
Receipts (net)					
Proceed on bond debt issued	-	8,483,001	-	8,483,001	-
Proceeds on loans issued	-	-	-	-	-
Interfund advances/receipts	-	-	150,000	150,000	150,000
General property taxes	1,592,385	669,450	-	2,261,835	2,033,791
Other local taxes	5,136,624	-	-	5,136,624	5,050,082
Permits, fees and licenses	30,669	-	-	30,669	43,230
Fines and forfeitures	154,521	-	-	154,521	161,939
Revenues from use of money and property	34,604	-	200,523	235,127	1,038,487
Charges for services	23,071	-	32,531,227	32,554,298	31,459,008
Grants	-	-	152,293	152,293	138,904
Miscellaneous	45,818	622,525	-	668,343	198,783
Recovered costs	-	6,556	-	6,556	9,301
Payment in lieu of taxes	805,142	-	-	805,142	753,655
Intergovernmental	13,494,342	-	-	13,494,342	2,969,379
Insurance recoveries	-	-	-	-	2,668
Sale of real estate	8,207	-	-	8,207	-
Total Receipts	21,325,383	9,781,532	33,034,043	64,140,958	44,009,227
Total Available	35,799,184	10,446,096	63,795,466	110,040,746	91,065,505
Disbursements (net)					
Warrants (checks) issued	12,839,822	820,348	29,062,587	42,722,757	40,053,038
Retirement of indebtedness	-	8,492,576	2,684,264	11,176,840	4,534,300
Interfund advance payments	150,000	-	-	150,000	150,000
Interest on debt costs	-	144,456	288,162	432,618	428,379
Total Disbursements	12,989,822	9,457,380	32,035,013	54,482,215	45,165,717
Transfers in	3,222,000	322,756	-	3,544,756	3,802,980
Transfers (out)	(403,644)	(277,256)	(2,863,856)	(3,544,756)	(3,802,980)
Total Transfers In (Out)	2,818,356	45,500	(2,863,856)	-	-
Balance June 30, 2021	\$ 25,627,718	\$ 1,034,216	\$ 28,896,597	\$ 55,558,531	\$ 45,899,788

TOWN OF FRONT ROYAL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2021

Taxable assessed value of real property	<u>\$ 1,343,243,800</u>
Debt limit (10 percent of assessed value)	\$ 134,324,380
Amount of debt applicable to debt limit	
Police facility loan	8,396,572
Equipment note payable obligation	<u>577,183</u>
	<u>8,973,755</u>
Legal debt margin	<u>\$ 125,350,625</u>

Note: 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 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 Virginia).

STATISTICAL SECTION

This part of the Town of Front Royal's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the Financial Statements, Notes to Financial Statements, and Required Supplementary Information says about the Town's overall financial health.

CONTENTS	PAGE
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	104
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	110
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	114
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	119
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	121

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

TOWN OF FRONT ROYAL, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Net investment in										
capital assets	\$ 56,769,628	\$ 53,782,076	\$ 50,772,052	\$ 47,470,993	\$ 49,088,542	\$ 53,926,594	\$ 51,389,043	\$ 49,299,224	\$ 45,504,940	\$ 41,807,111
Restricted	1,313,146	1,975,178	2,830,559	3,239,409	3,394,680	3,528,117	4,133,610	4,890,632	4,521,867	14,003,680
Unrestricted	4,934,496	5,453,676	5,714,134	2,159,166	2,755,805	3,165,636	1,702,112	2,049,383	3,768,860	5,006,361
Total Governmental										
Activities Net Position	\$ 63,017,270	\$ 61,210,930	\$ 59,316,745	\$ 52,869,568	\$ 55,239,027	\$ 60,620,347	\$ 57,224,765	\$ 56,239,239	\$ 53,795,667	\$ 60,817,152
Business-type Activities										
Net investment in										
capital assets	\$ 34,064,137	\$ 36,419,933	\$ 35,385,515	\$ 44,159,747	\$ 51,693,830	\$ 50,846,302	\$ 53,624,361	\$ 53,014,215	\$ 56,282,332	\$ 61,617,386
Unrestricted	16,446,498	19,440,318	22,940,690	17,389,248	18,022,201	26,239,996	25,856,906	29,337,878	29,424,032	28,650,857
Total Business-type										
Activities Net Position	\$ 50,510,635	\$ 55,860,251	\$ 58,326,205	\$ 61,548,995	\$ 69,716,031	\$ 77,086,298	\$ 79,481,267	\$ 82,352,093	\$ 85,706,364	\$ 90,268,243
Primary Government										
Net investment in										
capital assets	\$ 90,833,765	\$ 90,202,009	\$ 86,157,567	\$ 91,630,740	\$ 100,782,372	\$ 104,772,896	\$ 105,013,404	\$ 102,313,439	\$ 101,787,272	\$ 103,424,497
Restricted	1,313,146	1,975,178	2,830,559	3,239,409	3,394,680	3,528,117	4,133,610	4,890,632	4,521,867	14,003,680
Unrestricted	21,380,994	24,893,994	28,654,824	19,548,414	20,778,006	29,405,632	27,559,018	31,387,261	33,192,892	33,657,218
Total Primary										
Government Net Position	\$ 113,527,905	\$ 117,071,181	\$ 117,642,950	\$ 114,418,563	\$ 124,955,058	\$ 137,706,645	\$ 136,706,032	\$ 138,591,332	\$ 139,502,031	\$ 151,085,395

TOWN OF FRONT ROYAL, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Expenses	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities:										
General government and administration	\$ 3,003,366	\$ 3,404,737	\$ 3,610,966	\$ 3,356,075	\$ 3,866,401	\$ 3,371,036	\$ 3,688,420	\$ 3,580,318	\$ 3,987,202	\$ 4,015,860
Public safety	3,890,462	4,226,075	4,256,684	4,071,072	4,401,137	4,626,250	5,137,009	5,084,827	5,482,892	5,692,090
Public works	2,167,403	2,200,764	2,152,085	2,351,087	2,832,612	2,971,237	2,661,967	2,671,218	2,576,212	2,571,885
Planning, zoning, and community development	641,552	617,998	720,592	700,053	1,077,032	1,246,737	1,078,310	936,586	959,043	1,959,984
Culture and recreation	105,801	53,548	22,344	-	-	-	-	-	-	-
Interest on long term debt	8,480	4,345	-	-	-	-	-	10,965	25,337	144,456
Infrastructure depreciation	3,591,054	3,591,054	3,591,054	3,591,055	3,591,055	3,591,054	3,591,054	4,052,716	4,085,813	4,085,813
Total Governmental Activities Expenses	13,408,118	14,098,521	14,353,725	14,069,342	15,768,237	15,806,314	16,156,760	16,336,630	17,116,499	18,470,088
Business-Type Activities:										
Electric	14,466,632	13,293,934	15,469,985	14,906,428	15,869,418	15,515,533	18,153,934	18,681,552	16,834,919	16,245,524
Water	2,799,552	2,953,064	3,075,201	3,042,885	3,604,540	3,444,027	3,583,833	3,380,314	3,315,985	3,011,707
Sewer	3,036,433	2,966,184	3,186,205	3,387,659	3,584,110	4,106,234	5,003,086	5,307,707	4,913,811	5,114,415
Refuse	968,124	924,107	929,685	842,450	864,785	837,128	898,003	882,729	895,285	889,894
Total Business-Type Activities Expenses	21,270,741	20,137,289	22,661,076	22,179,422	23,922,853	23,902,922	27,638,856	28,252,302	25,960,000	25,261,540
Total Primary Government Expenses	34,678,859	34,235,810	37,014,801	36,248,764	39,691,090	39,709,236	43,795,616	44,588,932	43,076,499	43,731,628
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	96,447	146,989	142,191	168,283	101,895	82,552	76,402	55,704	24,889	68,889
Public safety	244,888	196,412	357,460	179,726	188,653	167,355	247,586	298,212	171,240	161,077
Public works	2,932	1,458	3,848	817	3,248	-	-	-	-	-
Planning, zoning, and community development	74,588	25,921	26,251	25,410	30,739	29,534	40,747	31,695	43,230	30,669
Operating grants and contributions	1,967,288	1,998,364	2,047,240	2,094,216	2,164,424	2,231,968	2,263,456	3,008,198	2,524,909	13,457,490
Capital grants and contributions	113,971	10,249	32,554	29,357	5,315,112	7,760,114	1,296,492	283,281	99,175	154,738
Total Governmental Program Revenues	2,500,114	2,379,393	2,609,544	2,497,809	7,804,071	10,271,523	3,924,683	3,677,090	2,863,443	13,872,863
Business-Type Activities:										
Charges for services:										
Electric	15,561,410	16,832,900	17,389,372	17,435,092	16,850,344	16,427,093	18,794,719	20,344,673	19,892,677	20,094,836
Water	3,231,718	4,344,296	4,549,414	5,170,326	5,134,173	5,405,199	5,258,361	5,073,560	4,827,497	5,120,139
Sewer	4,204,653	6,303,357	4,984,234	6,644,753	6,719,064	7,077,220	6,672,143	6,473,632	5,794,938	6,129,937
Refuse	867,388	887,694	994,255	984,191	1,004,293	1,099,451	1,125,850	1,094,132	1,109,694	1,099,514
Capital grants and contributions	-	31,851,073	-	474,457	5,381,345	4,358,919	1,841,670	262,563	138,904	152,293
Total Business-Type Program Revenues	23,865,169	87,858,176	27,917,275	30,708,819	35,089,219	34,367,882	33,692,743	33,248,560	31,763,710	32,596,719
Total Primary Government Program Revenues	26,365,283	90,237,569	30,526,819	33,206,628	42,893,290	44,639,405	37,617,426	36,925,650	34,627,153	46,469,582

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense) Revenue										
Governmental Activities	\$ (10,908,004)	\$ (11,719,128)	\$ (11,744,181)	\$ (11,571,533)	\$ (7,964,166)	\$ (5,534,791)	\$ (12,232,077)	\$ (12,659,540)	\$ (14,253,056)	\$ (4,597,225)
Business-Type Activities	2,594,428	8,230,958	5,256,199	8,529,397	11,166,366	10,464,960	6,053,887	4,996,258	5,803,710	7,335,179
Total Primary Gov't Net Expense	(8,313,576)	(3,488,170)	(6,487,982)	(3,042,136)	3,202,200	4,930,169	(6,178,190)	(7,663,282)	(8,449,346)	2,737,954
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Property taxes	1,544,123	1,549,507	1,788,416	1,846,740	1,843,505	1,935,993	1,960,007	2,175,076	2,183,121	2,219,143
Sales taxes	726,745	1,418,512	943,728	852,134	794,164	930,123	905,904	951,020	1,054,716	1,218,034
Business and occupational taxes	612,660	656,935	672,494	682,756	804,677	735,679	719,089	763,876	812,015	827,597
Franchise and bank stock taxes (*)	254,686	280,149	284,714	303,207	288,944	286,165	372,811	368,735	372,784	323,005
Communication taxes	157,940	162,826	169,927	170,799	165,738	160,990	157,125	145,928	140,543	128,982
Consumer taxes	228,374	221,576	164,137	222,783	181,034	225,029	183,832	232,517	227,433	225,195
Meals and lodging taxes	1,547,442	1,648,350	1,750,295	1,751,540	1,852,221	1,926,177	1,996,490	2,071,821	2,095,034	2,210,625
Virginia pers. prop. tax reduction	287,000	287,000	287,000	287,000	287,000	287,000	287,863	287,863	287,863	287,000
Payment in lieu of taxes	372,920	401,492	407,661	389,041	403,582	516,858	651,780	730,871	753,655	805,142
Vehicle licenses (*)	350,500	354,605	357,359	362,923	368,894	365,261	375,976	377,554	390,178	378,663
Other general taxes (*)	53,344	71,263	86,720	81,598	84,764	90,552	105,457	123,166	108,865	88,657
Unrestricted investment earnings	123,824	12,113	77,835	65,337	65,457	33,784	63,053	295,260	250,609	34,604
Gain on sale of capital assets and other recoveries	-	-	-	-	-	-	240,464	19,327	2,668	8,207
Transfers	2,503,950	2,848,460	2,859,710	2,951,585	3,193,645	3,422,500	3,155,000	3,131,000	3,130,000	2,863,856
Total Governmental Activities	8,763,508	9,912,788	9,849,996	9,967,443	10,333,625	10,916,111	11,174,851	11,674,014	11,809,484	11,618,710
Business-Type Activities:										
Unrestricted investment earnings	301,615	(32,882)	174,807	119,434	194,315	62,459	144,313	873,411	680,561	90,556
Asset sales and insurance recoveries	-	-	-	-	-	265,348	-	132,157	-	-
Transfers	(2,503,950)	(2,848,460)	(2,859,710)	(2,951,585)	(3,193,645)	(3,422,500)	(3,155,000)	(3,131,000)	(3,130,000)	(2,863,856)
Total Business-Type Activities	(2,202,335)	(2,881,342)	(2,684,903)	(2,832,151)	(2,999,330)	(3,094,693)	(3,010,687)	(2,125,432)	(2,449,439)	(2,773,300)
Total Primary Government	6,561,173	7,031,446	7,165,093	7,135,292	7,334,295	7,821,418	8,164,164	9,548,582	9,360,045	8,845,410
Change in Net Position										
Governmental Activities	(2,144,496)	(1,806,340)	(1,894,185)	(1,604,090)	2,369,459	5,381,320	(1,057,226)	(985,526)	(2,443,572)	7,021,485
Business-Type Activities	392,093	5,349,616	2,571,296	5,697,246	8,167,036	7,370,267	3,043,200	2,870,826	3,354,271	4,561,879
Total Primary Government	\$ (1,752,403)	\$ 3,543,276	\$ 677,111	\$ 4,093,156	\$ 10,536,495	\$ 12,751,587	\$ 1,985,974	\$ 1,885,300	\$ 910,699	\$ 11,583,364

* Bank stock tax and vehicle licenses were reclassified effective 2012

TOWN OF FRONT ROYAL, VIRGINIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property	Sales	Business and Occupational	Bank stock., Comm. and Franchise (*)	Consumer	Meals and Lodging	Virginia PPTR	In Lieu of Taxes	Vehicle Taxes	Other General (*)	Total
2012	1,544,123	726,745	612,660	177,325	228,374	1,547,442	287,000	372,920	350,500	639,145	6,486,234
2013	1,549,507	1,418,512	656,935	442,975	221,576	1,648,350	287,000	401,492	354,605	71,263	7,052,215
2014	1,788,416	943,728	672,494	454,641	164,137	1,750,295	287,000	407,661	357,359	86,720	6,912,451
2015	1,846,740	852,134	682,756	474,006	222,783	1,751,540	287,000	389,041	362,923	81,598	6,950,521
2016	1,843,505	794,164	804,677	454,682	181,034	1,852,221	287,000	403,582	368,894	84,764	7,074,523
2017	1,843,122	930,123	735,679	447,155	225,029	1,926,177	287,000	516,858	365,261	90,552	7,366,956
2018	1,960,007	905,904	719,089	529,936	183,832	1,996,490	287,863	651,780	375,976	105,457	7,716,334
2019	2,175,076	951,020	763,876	514,663	232,517	2,071,821	287,863	730,871	377,554	123,166	8,228,427
2020	2,183,121	1,054,716	812,015	513,327	227,433	2,095,034	287,863	753,655	390,178	108,865	8,426,207
2021	2,219,143	1,218,034	827,597	451,987	225,195	2,210,625	287,000	805,142	378,663	88,657	8,712,043

* Bank stock tax and vehicle licenses were reclassified from other general taxes effective 2012

TOWN OF FRONT ROYAL, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 207,520	\$ 196,260	\$ 207,823	\$ 241,290	\$ 141,487	\$ 117,862	\$ 94,008	\$ 67,677	\$ 534,395	\$ 37,296
Restricted	766,933	1,300,989	1,900,281	2,211,133	2,462,565	2,776,030	3,224,305	3,902,819	3,506,673	12,740,313
Assigned	-	-	-	1,250,000	-	-	2,306,399	1,873,841	1,984,545	3,375,175
Unassigned	5,248,533	5,728,824	6,022,406	5,585,564	7,747,379	8,127,236	6,814,073	7,169,004	8,584,059	9,260,735
Total General Fund	<u>\$ 6,222,986</u>	<u>\$ 7,226,073</u>	<u>\$ 8,130,510</u>	<u>\$ 9,287,987</u>	<u>\$ 10,351,431</u>	<u>\$ 11,021,128</u>	<u>\$ 12,438,785</u>	<u>\$ 13,013,341</u>	<u>\$ 14,609,672</u>	<u>\$ 25,413,519</u>
All Other Governmental Funds										
Restricted	\$ 546,213	\$ 674,189	\$ 930,278	\$ 1,028,276	\$ 932,115	\$ 752,087	\$ 909,305	\$ 987,813	\$ 1,015,194	\$ 1,263,367
Assigned - capital funds	388	388	388	388	388	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	(405,413)	(312,447)	(380,375)	(447,128)	(481,106)	(494,429)	(494,422)	(353,022)	(494,822)	(371,597)
Total all other governmental funds	<u>\$ 141,188</u>	<u>\$ 362,130</u>	<u>\$ 550,291</u>	<u>\$ 581,536</u>	<u>\$ 451,397</u>	<u>\$ 257,658</u>	<u>\$ 414,883</u>	<u>\$ 634,791</u>	<u>\$ 520,372</u>	<u>\$ 891,770</u>

TOWN OF FRONT ROYAL, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES:										
Taxes:										
Property	\$ 1,476,410	\$ 1,452,321	\$ 1,592,285	\$ 1,748,623	\$ 1,784,387	\$ 1,860,940	\$ 1,900,224	\$ 2,018,270	\$ 2,120,765	\$ 2,247,176
Sales	726,745	1,418,512	943,728	852,134	794,164	930,123	905,904	951,020	1,054,716	1,218,034
Business and occupational	612,660	656,935	672,494	682,756	804,677	735,679	719,089	763,876	812,015	827,597
Franchise	19,385	87,213	67,191	60,797	74,743	48,750	51,205	49,029	121,306	72,012
Consumer	228,374	221,576	164,137	222,783	181,034	225,029	183,832	232,517	227,433	225,195
Vehicle licenses	350,500	354,605	357,359	362,923	368,894	365,261	375,976	377,554	390,178	378,663
Bank stock	235,301	192,936	217,523	242,410	214,201	237,415	321,606	319,706	251,478	250,993
Meals and lodging	1,547,442	1,648,350	1,750,295	1,751,540	1,852,221	1,926,177	1,996,490	2,071,821	2,095,034	2,210,625
Permits, fees, and licenses	74,588	25,921	26,251	25,410	30,739	29,534	40,747	31,695	43,230	30,669
Fines and forfeitures	213,721	179,666	157,767	172,406	160,047	160,643	238,207	290,829	161,939	154,521
Revenues from use of money and property	123,824	12,113	77,835	65,337	65,457	33,784	63,053	295,260	250,609	34,604
Charges for services	25,811	35,841	37,924	34,715	42,257	41,280	55,599	52,077	3,341	23,071
Miscellaneous	73,568	112,606	108,115	134,385	62,886	41,272	20,803	3,627	21,548	45,818
Recovered costs	31,167	16,746	199,693	7,320	28,606	6,712	9,379	7,383	9,301	6,556
Payment in lieu of taxes	372,920	401,492	407,661	389,041	403,582	516,858	651,780	730,871	753,655	805,142
Intergovernmental	2,579,543	2,529,702	2,623,441	2,662,970	8,017,038	10,530,624	7,103,343	9,261,634	3,161,355	14,116,867
Total Revenues	8,691,959	9,346,535	9,403,699	9,415,550	14,884,933	17,690,081	14,637,237	17,457,169	11,477,903	22,647,543
EXPENDITURES:										
General government										
Legislative	155,176	169,241	171,338	176,283	313,478	252,619	220,857	235,441	199,262	169,258
Executive	1,520,025	1,731,960	2,049,108	1,881,985	2,121,888	1,999,411	2,117,328	2,066,390	2,022,343	2,044,864
Legal	342,144	362,854	362,454	369,080	344,280	333,082	366,770	347,002	513,870	483,386
Finance	732,352	811,980	811,502	811,792	829,531	713,821	825,740	837,058	881,457	887,636
Public Safety										
Police	3,598,674	3,881,352	3,973,290	4,245,126	4,324,556	4,551,997	7,725,090	10,857,703	5,103,063	4,989,546
Planning, zoning, and community development	590,660	556,094	647,358	663,734	1,017,748	1,190,229	998,714	891,646	880,546	1,730,175
Engineering and public works	3,421,997	2,681,719	2,565,474	2,456,560	7,695,362	11,042,304	3,952,129	4,516,195	2,967,279	3,256,747
Parks and recreation	95,000	47,500	20,000	-	-	-	-	-	-	-
Nondepartmental	564,173	630,878	570,287	573,853	498,430	553,160	553,102	552,285	465,585	628,718
Debt Service										
Principal	88,551	93,043	-	-	-	-	-	44,858	69,917	8,492,576
Interest	8,480	4,345	-	-	-	-	-	14,454	25,337	144,456
Total Expenditures	11,117,232	10,970,966	11,170,811	11,178,413	17,145,273	20,636,623	16,759,730	20,363,032	13,128,659	22,827,362
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,425,273)	(1,624,431)	(1,767,112)	(1,762,863)	(2,260,340)	(2,946,542)	(2,122,493)	(2,905,863)	(1,650,756)	(179,819)
OTHER FINANCING SOURCES (USES):										
Transfers in	2,503,950	3,007,971	2,859,710	2,980,075	3,193,645	3,422,500	3,155,000	3,131,000	3,802,980	3,544,756
Transfers (out)	-	(159,511)	-	(28,490)	-	-	-	-	(672,980)	(680,900)
Loan proceeds	-	-	-	-	-	-	-	-	-	8,483,001
Other sources	-	-	-	-	-	-	542,375	569,327	2,668	8,207
Total Other Financing Sources (Uses)	2,503,950	2,848,460	2,859,710	2,951,585	3,193,645	3,422,500	3,697,375	3,700,327	3,132,668	11,355,064
NET CHANGE IN FUND BALANCES	\$ 78,677	\$ 1,224,029	\$ 1,092,598	\$ 1,188,722	\$ 933,305	\$ 475,958	\$ 1,574,882	\$ 794,464	\$ 1,481,912	\$ 11,175,245
Debt service as a percentage of noncapital expenditures	0.94%	1.05%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.78%	40.06%

Additional years will be added as information is available.

TABLE VI

TOWN OF FRONT ROYAL, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property					Personal Property				
	Commercial Residential Property	Public Service	Total Assessed Value	Estimated Actual Value	Direct Tax Rate	Motor Vehicles	Business Equipment	Other	Total Assessed Value	Direct Tax Rate
2012	1,118,318,200	16,425,250	1,134,743,450	1,134,743,450	0.110	82,719,086	16,645,415	1,534,520	100,899,021	0.640
2013	1,127,434,400	17,274,880	1,144,709,280	1,144,709,280	0.110	85,157,320	18,291,765	1,545,035	104,994,120	0.640
2014	1,129,575,300	16,808,640	1,146,383,940	1,146,383,940	0.130	86,666,340	19,232,980	1,557,485	107,456,805	0.640
2015	1,156,264,300	16,841,840	1,173,106,140	1,173,106,140	0.130	89,785,695	17,204,725	1,311,870	108,302,290	0.640
2016	1,158,897,600	16,506,850	1,175,404,450	1,175,404,450	0.130	94,765,055	17,492,560	2,108,235	114,365,850	0.640
2017	1,164,489,300	15,107,880	1,179,597,180	1,179,597,180	0.135	95,158,655	17,429,905	3,412,700	116,001,260	0.640
2018	1,168,609,100	15,861,850	1,184,470,950	1,184,470,950	0.135	97,468,645	19,249,730	3,196,990	119,915,365	0.640
2019	1,306,118,700	14,571,700	1,320,690,400	1,320,690,400	0.135	103,831,560	19,120,860	3,221,465	126,173,885	0.640
2020	1,314,249,800	15,400,880	1,329,650,680	1,329,650,680	0.130	104,788,430	19,223,250	3,148,270	127,159,950	0.640
2021	1,328,341,000	14,902,800	1,343,243,800	1,343,243,800	0.130	117,397,705	20,439,550	2,678,360	140,515,615	0.640

Source: Warren County Property Assessor's Office

TOWN OF FRONT ROYAL, VIRGINIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Fiscal Year	Town Direct Rates					Overlapping Rates				Total Direct and Overlapping Rates			
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Total Direct	Real Estate	Personal Property	Machinery Tools	Mobile Homes	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
2012	0.110	0.640	0.640	0.110	0.750	0.590	4.000	1.300	0.590	0.700	4.640	1.940	0.700
2013	0.110	0.640	0.640	0.110	0.750	0.590	4.000	1.300	0.590	0.700	4.640	1.940	0.700
2014	0.130	0.640	0.640	0.130	0.770	0.610	4.000	1.300	0.610	0.740	4.640	1.940	0.740
2015	0.130	0.640	0.640	0.130	0.770	0.600	4.000	1.950	0.600	0.730	4.640	2.590	0.730
2016	0.130	0.640	0.640	0.130	0.770	0.620	4.000	1.950	0.595	0.750	4.640	2.590	0.725
2017	0.135	0.640	0.640	0.135	0.775	0.650	4.000	1.950	0.650	0.785	4.640	2.590	0.785
2018	0.135	0.640	0.640	0.135	0.775	0.660	4.000	2.050	0.660	0.795	4.640	2.690	0.795
2019	0.135	0.640	0.640	0.135	0.775	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2020	0.130	0.640	0.640	0.130	0.770	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2021	0.130	0.640	0.640	0.130	0.770	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790

Source: Town of Front Royal and Warren County

**TOWN OF FRONT ROYAL, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND 2012**

2021			2012		
Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Boisseau Family LC	\$ 17,660,400	1.31%	Boisseau Family, L.C.	\$ 20,389,125	1.42%
IVQ Front Royal Propco LLC	9,818,100	0.73%	Shenandoah Square LP	8,124,600	0.57%
Shenandoah Commons Appartmen	8,427,900	0.63%	William Land Co, Inc.	7,759,600	0.54%
Gateway Plaza Shopping Center	7,794,200	0.58%	Ramsey, Inc.	7,463,400	0.52%
Royal Arms Associates	7,563,400	0.56%	HLI Endowment Inc	6,754,400	0.47%
HLI Endowment Inc	6,501,100	0.48%	Royal Arms Associates	5,442,500	0.38%
F & R Limited Partnership	6,393,600	0.48%	Corry Family Real Estate LLC	4,299,900	0.30%
HWA Enterprises	6,239,200	0.46%	Royal Hills Limited Partnership	4,256,100	0.30%
Ramsey, Inc.	4,392,600	0.33%	Fairfield Lynn Limited	3,701,600	0.26%
Fairfield Lynn Limited	4,314,500	0.32%	Heritage Hall XIII	3,357,500	0.23%
Total	<u>\$ 79,105,000</u>	<u>5.89%</u>		<u>\$ 71,548,725</u>	<u>4.99%</u>

Source: Warren County Property Assessor's Office

**TOWN OF FRONT ROYAL, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Subsequent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
2012	1,833,691	683,918	37.30%	1,144,671	1,828,589	99.72%
2013	1,840,648	928,189	50.43%	906,535	1,834,724	99.68%
2014	2,084,048	1,042,874	50.04%	1,032,809	2,075,683	99.60%
2015	2,153,232	1,096,456	50.92%	972,821	2,069,277	96.10%
2016	2,119,854	1,067,015	50.33%	947,321	2,014,336	95.02%
2017	2,253,175	1,158,124	51.40%	967,607	2,125,731	94.34%
2018	2,342,677	1,243,129	53.06%	954,558	2,197,687	93.81%
2019	2,544,157	1,299,343	51.07%	1,059,181	2,358,524	92.70%
2020	2,482,110	1,161,873	46.81%	1,074,463	2,236,336	90.10%
2021	2,596,744	1,373,473	52.89%	-	1,373,473	52.89%

Note: Penalties and interest are not included in any of the values.

Total tax levy and current tax collection includes revenue from the Commonwealth of Virginia for personal property taxes.

2012 year revision made to properly record delinquent tax collections in year of levy.

TABLE X

TOWN OF FRONT ROYAL, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business Type Activities		Total Primary Government	Personal Income (in \$000's)	Percentage of Personal Income	Population	Per Capita
	Advances and Notes Payable	General Obligation Bonds	Notes Payable	General Obligation Bonds					
2012	-	93,043	-	11,970,892	12,063,935	553,967	2.14%	14,610	812
2013	-	-	-	10,936,627	10,936,627	663,896	1.62%	14,666	733
2014	-	-	-	13,957,382	13,957,382	700,492	1.83%	15,127	848
2015	-	-	-	16,021,362	16,021,362	702,210	2.14%	15,545	965
2016	-	-	-	32,121,015	32,121,015	723,276	4.31%	14,709	2,199
2017	-	-	-	46,677,491	46,677,491	727,056	6.42%	15,153	3,080
2018	3,224,745	-	-	47,534,476	50,759,221	729,179	6.96%	15,006	3,383
2019	9,125,347	-	158,606	45,256,686	54,540,639	755,433	7.22%	15,221	3,583
2020	9,055,429	-	123,186	40,667,387	49,846,002	778,096	6.41%	15,053	3,312
2021	8,973,754	-	87,802	37,948,088	47,009,644	785,877	5.98%	15,382	3,056

TOWN OF FRONT ROYAL, VIRGINIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds		Total Primary Government	Assessed Value in \$000's	Percentage of Actual Taxable Value of Property	Population	Per Capita
	Governmental Activities	Business- Type Activities					
2012	93,043	11,970,892	12,063,935	1,235,642	0.98%	14,610	826
2013	-	10,936,627	10,936,627	1,249,703	0.88%	14,666	746
2014	-	13,957,382	13,957,382	1,253,841	1.11%	15,127	923
2015	-	16,021,362	16,021,362	1,281,408	1.25%	15,545	1,031
2016	-	32,121,015	32,121,015	1,289,770	2.49%	14,709	2,184
2017	-	46,677,491	46,677,491	1,295,598	3.60%	15,153	3,080
2018	-	47,534,476	47,534,476	1,304,386	3.64%	15,006	3,168
2019	-	45,256,686	45,256,686	1,446,864	3.13%	15,221	2,973
2020	-	40,667,387	40,667,387	1,456,811	2.79%	15,053	2,702
2021	-	37,948,088	37,948,088	1,483,759	2.56%	15,382	2,467

TOWN OF FRONT ROYAL, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Warren County	\$ 123,661,332		
Warren County School Board	7,339,000		
Subtotal, overlapping debt	<u>131,000,332</u>	49%	64,190,163
Town of Front Royal (direct debt)	<u>8,973,754</u>	100%	<u>8,973,754</u>
Total direct and overlapping debt			<u><u>\$ 73,163,917</u></u>

Note: Overlapping governments are those that coincide, at least in part, which the geographic boundaries of the town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Front Royal. This process recognizes that, when considering the town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is resident, and therefore responsible for repaying the debt, of each overlapping government.

TOWN OF FRONT ROYAL, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 114,459,425	\$ 114,460,908	\$ 114,638,394	\$ 117,310,614	\$ 117,540,445	\$ 117,959,718	\$ 118,447,095	\$ 132,069,040	\$ 132,965,068	\$ 134,324,380
Net debt applicable to limit	11,860,717	10,750,000	12,835,000	13,955,241	-	-	3,224,745	9,125,347	9,055,429	8,973,755
Legal debt margin	\$ 102,598,708	\$ 103,710,908	\$ 101,803,394	\$ 103,355,373	\$ 117,540,445	\$ 117,959,718	\$ 115,222,350	\$ 122,943,693	\$ 123,909,639	\$ 125,350,625
Net debt applicable to the limit as a percent of debt limit	10%	9%	11%	12%	0%	0%	3%	7%	7%	7%

TOWN OF FRONT ROYAL, VIRGINIA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	24,166,784	18,870,789	5,295,995	974,906	631,396	1,606,302	3.30
2013	28,335,365	17,772,057	10,563,308	1,034,264	564,878	1,599,142	6.61
2014	28,092,082	20,376,968	7,715,114	535,000	537,563	1,072,563	7.19
2015	30,353,796	19,830,467	10,523,329	580,000	506,187	1,086,187	9.69
2016	29,902,189	20,550,341	9,351,848	680,000	508,966	1,188,966	7.87
2017	30,071,422	20,578,114	9,493,308	665,000	484,321	1,149,321	8.26
2018	31,995,386	23,716,216	8,279,170	1,719,440	448,525	2,167,965	3.82
2019	33,859,408	24,316,988	9,542,420	2,756,573	416,565	3,173,138	3.01
2020	32,305,367	22,073,859	10,231,508	4,534,300	428,379	4,962,679	2.06
2021	32,534,982	21,301,319	11,233,663	2,684,264	288,162	2,972,426	3.78

¹Gross revenue includes operating revenues and investment earnings

²Total operating expenses exclusive of depreciation

**TOWN OF FRONT ROYAL, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

Year	Estimated Population	Personal Income (thousands of dollars)	Household Median Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2012	14,610	553,967	37,917	DNA	DNA	DNA	5,325	5.5%
2013	14,666	663,896	45,268	DNA	DNA	DNA	5,394	5.7%
2014	15,127	700,492	46,307	26,129	DNA	DNA	5,493	5.6%
2015	15,545	702,210	46,421	DNA	DNA	DNA	5,318	4.8%
2016	14,709	723,276	46,609	DNA	DNA	DNA	5,325	4.8%
2017	15,153	727,056	47,981	24,733	40	DNA	5,433	3.8%
2018	15,006	729,179	48,270	17,907	39	12	5,136	3.8%
2019	15,221	755,433	49,631	25,361	38	12	5,385	3.1%
2020	15,053	778,096	52,717	26,051	37	12	5,298	7.5%
2021	15,382	785,877	51,871	25,832	37	12	5,372	4.7%

*Median age and education level only available in census years

Source: Town of Front Royal, Warren County School Board, and Warren County Economic Development Authority

DNA - Data not available

TOWN OF FRONT ROYAL, VIRGINIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND 2012

2021			2012		
Employer	Employees	% of Total	Employer	Employees	% of Total
Warren County School Board	750-1000	13%	Warren County School Board	925	12%
Valley Health System	500-750	10%	Warren County Hospital	542	7%
Warren County	500-600	6%	Family Dollar Stores Distribution Center	472	6%
Walmart	300-450	6%	E.I. Dupont De Nemours & Co.	421	5%
Ferguson Enterprises, Inc.	300-600	3%	Ferguson Enterprises, Inc.	383	5%
Interbake Foods, LLC	100-350	5%	Walmart	313	4%
Family Dollar Services	300-600	5%	Sysco Baugh Northeast Cooperative, Inc.	304	4%
Sysco	300-450	4%	Interbake Foods, LLC	286	4%
Axalta	300-600	3%	Warren County	284	4%
Christiandom College	250-499	2%	Toray Plastics America Inc.	200	3%

Source: Estimates from Warren County Economic Development Authority

TOWN OF FRONT ROYAL, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	33	37	37	38	38	38	39	44	44	40
Police Protection	47	48	49	49	51	52	53	52	52	52
Highway - Streets	16	17	16	16	16	16	15	15	15	15
Sanitation	14	15	14	14	14	12	15	13	13	13
Water	18	15	15	18	18	18	18	17	18	17
Sewer	17	16	16	16	17	17	17	16	17	17
Electrical	15	15	15	15	17	17	17	17	17	17
	160	163	162	166	171	170	174	174	176	171

**TOWN OF FRONT ROYAL, VIRGINIA
OPERATING INDICATORS BY FUNCTION/PROGRA
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Police										
Physical arrests	1,777	1,183	1,217	947	837	952	1,414	1,067	1,030	948
Parking violations	222	364	190	12	64	154	133	158	212	163
Traffic violations	2,666	1,808	1,676	2,632	2,239	2,394	3,922	3,854	2,547	2,354
Wastewater										
New service connections	17	14	8	30	52	80	75	45	31	54
Average daily treatment in gallons	3,426,000	3,531,000	3,665,000	3,936,000	4,265,000	4,000,000	4,504,000	4,481,480	3,882,750	4,328,000
Water System										
New connections	20	16	9	34	51	78	75	45	30	53
Average daily consumption	1,453,000	1,875,000	1,875,000	1,875,000	1,868,000	1,736,000	1,783,000	1,965,000	1,873,000	1,804,000
Electric Distribution										
New Connections	18	20	20	27	26	23	26	26	28	38
Average daily KWH consumption	487,033	528,398	516,708	517,114	523,681	535,984	568,064	554,085	511,463	520,665
Sanitation										
Refuse collected (tons/day)	20	22	23	24	24	46	56	42	22	25
Recyclables collected (tons/day)	1.98	1.46	1.61	1.62	1.73	1.73	1.65	1.82	2.36	1.29
Highway and Streets										
Repair services	366	398	253	151	176	272	226	252	217	135
Street resurfacing (miles)	12.80	1.20	15.61	5.00	3.00	1.40	1.03	1.30	0.91	0.00

TOWN OF FRONT ROYAL, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	1	1	1
Patrol Units	12	12	20	26	25	26	26	38	38	27
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	133	133	138	132	132	132	137	137	138	138
Streetlights	1,450	1,450	1,470	1,505	1,871	1,969	1,975	1,977	1,976	1,978
Traffic signals	14	14	14	14	14	16	16	15	16	16
Culture and Recreation										
Community centers	1	1	1	2	2	2	2	2	2	2
Parks	13	12	12	20	20	23	23	23	20	20
Park acreage	165	125	125	400	400	400	400	400	400	400
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	9	2	2	6	6	6	6	6	6	6
Sewer System										
Sanitary sewers (miles)	198	198	198	198	198	124	124	124	124	124
Storm sewers (miles)	92	92	92	92	92	92	92	92	92	92
Treatment plants	1	1	1	1	1	1	1	1	1	1
Max daily capacity	4,000,000	4,000,000	4,000,000	4,000,000	5,000,000	6,520,000	5,300,000	5,300,000	5,300,000	5,300,000
Water System										
Facilities	1	1	1	1	1	1	1	1	1	1
Fire Hydrants	672	672	672	672	687	712	712	722	724	737
Max daily capacity	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Electric System										
Service lines (miles)	141	143	143	143	145	151	152	152	159	159
Distribution stations	4	4	4	5	5	5	5	5	5	5
Sanitation										
Collection Trucks	7	5	5	8	8	8	8	6	6	5

COMPLIANCE SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of Town Council
Town of Front Royal, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Front Royal, Virginia's basic financial statements, and have issued our report thereon dated October 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Front Royal, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

October 12, 2021
Leesburg, Virginia

Mitchell & Co., P.C.