

TOWN OF FRONT ROYAL, VIRGINIA

*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**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 15,214.

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.

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KATHLEEN R. LEIDICH
Interim Town Manager
kleidich@frontroyalva.com

November 17, 2022

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

RE: FY 2021-22 Annual Comprehensive Financial Report (ACFR)
Letter of Transmittal

The Annual Comprehensive Financial Report (ACFR) for the Town of Front Royal, Virginia, for the fiscal year ending June 30, 2022 that provides informative and relevant financial data about Town operations in FY2021-2022. The ACFR 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, 2022, 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 unmodified opinion that the Town's financial statements for the fiscal year ending June 30, 2022, 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 Annual Comprehensive Financial Report (ACFR)

The ACFR 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 (1/2) 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 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.

Economic Outlook

Revenue levels have generally recovered from the decreases that impacted the Town Budget in FY 2020. The Town received a total of \$15,851,180 from the American Rescue Plan Act (ARPA). \$7.9 million was received in June 2021 and an additional \$7.9 million was received in June 2022 from this program. From this funding, the Town allocated \$9,925,590 toward the Redundant Waterline Project in the Rt. 522 Corridor and \$5,925,590 toward the I&I Abatement project.

Major Initiatives in FY22

During FY22 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:

- 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 continued.
 - Urgent Point Repairs- \$2,052,087.98 was awarded in October 2021 and the work was completed during the Summer of 2022.
- Redundant Waterline engineering has been completed, property/easement acquisition is almost complete; construction contract for \$18,294,904.00 was awarded in October 2022. This line is anticipated to be completed in approximately 18 months and will provide the necessary redundancy in the event of a major water line break which could cause the water supply to the Corridor businesses and industry to be interrupted for an extended amount of time.
- 2022 Sanitary Sewer Rehabilitation Project – The construction contract for \$4,947,300 is expected to be awarded in late 2022 calendar year, with completion expected to occur in approximately 18 months.
- Paving Projects – Paving projects totaling approximately \$2 million are expected to be completed in December of 2022.
- 8th Street Bridge Rehabilitation Project-Approximately \$3million has been approved for the VDOT revenue sharing program; Next steps for the project include the engineering and construction phases.
- Joint Tourism Program with Discover Front Royal-The Tourism Agreement guiding the transition of the Town's Tourism program to Discover Front Royal is anticipated to be approved by Town Council on November 28, 2022.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022. This was the thirty sixth (36) 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 ACFR meets the Certificate of Achievement Program's requirements, and we will submit the ACFR to the GFOA to determine the Town's eligibility for continued recognition.
- *2021 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 2021 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.



Kathleen R. Leidich
Interim 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

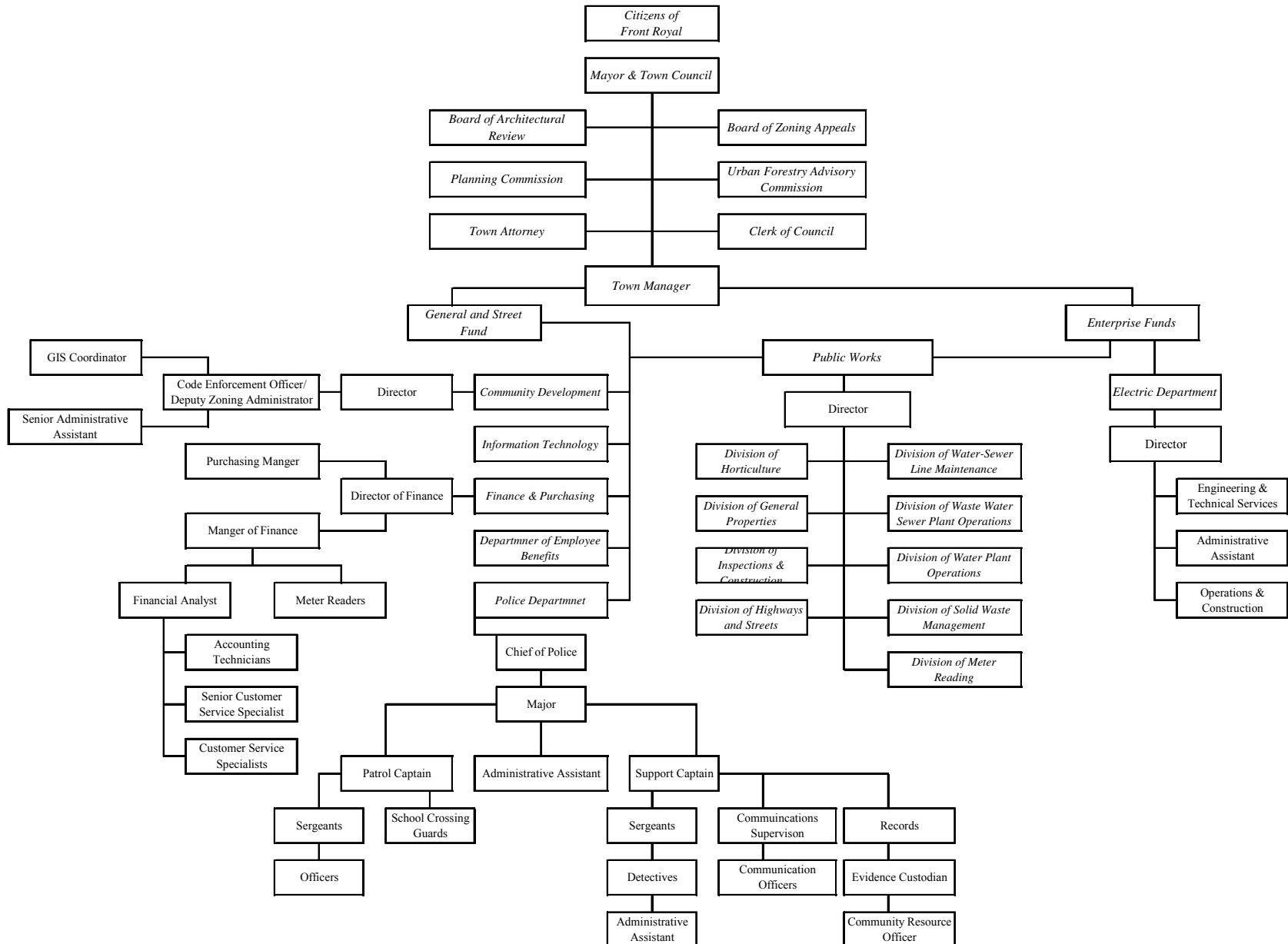
June 30, 2021

Christopher P. Morill

Executive Director/CEO

INTRODUCTORY SECTION

**TOWN OF FRONT ROYAL
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2022**



**TOWN OF FRONT ROYAL, VIRGINIA
JUNE 30, 2022**

TOWN COUNCIL

Christopher Holloway – Mayor
Lori Cockrell – Vice Mayor
Gary L. Gillispie
Zachary Jackson
Amber Morris
Letasha T. Thompson

TOWN OFFICIALS

Town Manager	Steven Hicks
Director of Planning & Community Development	Lauren Kopshke
Town Attorney	Vacant
Chief of Police	Kahle Magalis II
Director of Public Works	Robert Boyer
Director of Human Resources	Laura McIntosh
Clerk of Council	Tina Presley
Director of Finance	B.J. Wilson
Director of Information Technology	Vacant
Director of Energy Services	Vacant
Director of Fleet Management	Donald McPaters

FINANCIAL SECTION

MITCHELL, BURNS & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA
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TONJI M. LEISS, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Front Royal, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. The introductory, other supplementary information, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is 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 form of assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated November 14, 2022 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.

November 14, 2022
Leesburg, Virginia

Mitchell, Burns & 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, 2022. 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 \$153,057,976. Of this amount, \$36,107,573 may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$1,972,581 for fiscal year ended June 30, 2022.
- As of the close of the current fiscal year, the Town of Front Royal's governmental funds reported combined ending fund balances of \$26,209,033, a decrease of \$(96,256) in comparison with the prior year. Approximately 21% of this amount (\$5,495,826) 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 \$5,867,423 or 46 percent of total general fund expenditures.
- The Town's total bonded debt decreased by \$2,683,879 (7.2 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 \$153,057,976 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (68 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, 2022 and 2021.

TOWN OF FRONT ROYAL -- NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 29,789,551	\$ 29,271,527	\$ 35,822,900	\$ 34,993,811	\$ 65,612,451	\$ 64,265,338
Capital assets	47,120,730	50,780,866	99,982,140	99,328,737	147,102,870	150,109,603
Total Assets	76,910,281	80,052,393	135,805,040	134,322,548	212,715,321	214,374,941
Deferred Outflows of Resources	1,844,410	2,188,898	951,807	1,151,727	2,796,217	3,340,625
Long-term liabilities	15,245,026	19,823,125	37,808,405	42,633,037	53,053,431	62,456,162
Other liabilities	1,234,771	918,511	2,745,427	2,368,046	3,980,198	3,286,557
Total Liabilities	16,479,797	20,741,636	40,553,832	45,001,083	57,033,629	65,742,719
Deferred Inflows of Resources	3,798,861	682,503	1,621,072	204,949	5,419,933	887,452
Net investment in capital assets	38,432,104	41,807,111	65,022,977	61,617,386	103,455,081	103,424,497
Restricted	13,495,322	14,003,680	-	-	13,495,322	14,003,680
Unrestricted	6,548,607	5,006,361	29,558,966	28,650,857	36,107,573	33,657,218
Total Net Position	\$ 58,476,033	\$ 60,817,152	\$ 94,581,943	\$ 90,268,243	\$ 153,057,976	\$ 151,085,395

An additional portion of the Town of Front Royal's net position (67%) represents resources that are in a nonspendable form. The remaining balance of \$36,107,573 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 \$1,972,581 from fiscal year ended June 30, 2022 activities. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities decreased the Town's net position by \$2,341,119. These changes are presented in column one of the following table and key elements of the increase are noted below:

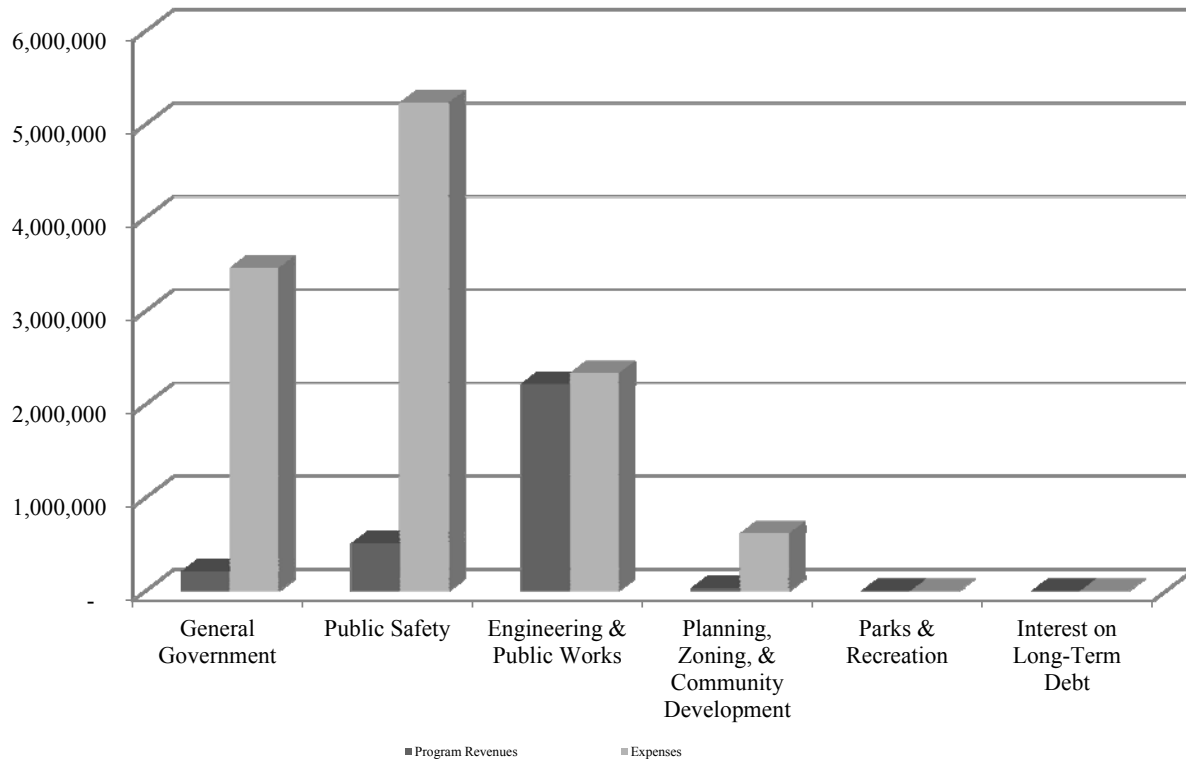
TOWN OF FRONT ROYAL -- CHANGES IN NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 200,152	\$ 260,635	\$ 32,521,447	\$ 32,444,426	\$ 32,721,599	\$ 32,705,061
Operating grants & contributions	2,598,163	13,457,490	-	-	2,598,163	13,457,490
Capital grants & contributions	178,370	154,738	141,419	152,293	319,789	307,031
General revenues						
Property taxes	2,594,239	2,219,143	-	-	2,594,239	2,219,143
Other taxes	7,205,107	6,492,900	-	-	7,205,107	6,492,900
Investment and other earnings	(178,707)	42,811	(715,139)	90,556	(893,846)	133,367
Total revenues	12,597,324	22,627,717	31,947,727	32,687,275	44,545,051	55,314,992
Expenses						
General government	3,638,253	4,160,316	-	-	3,638,253	4,160,316
Public safety	5,234,058	5,692,090	-	-	5,234,058	5,692,090
Engineering and public works	2,334,275	2,571,885	-	-	2,334,275	2,571,885
Planning and zoning	617,511	1,959,984	-	-	617,511	1,959,984
Infrastructure depreciation	4,085,813	4,085,813	-	-	4,085,813	4,085,813
Electric	-	-	17,301,690	16,245,524	17,301,690	16,245,524
Water	-	-	3,384,680	3,011,707	3,384,680	3,011,707
Sewer	-	-	4,884,514	5,114,415	4,884,514	5,114,415
Solid waste management	-	-	1,091,676	889,894	1,091,676	889,894
Total expenses	15,909,910	18,470,088	26,662,560	25,261,540	42,572,470	43,731,628
Increase (decrease) in net position before transfers	(3,312,586)	4,157,629	5,285,167	7,425,735	1,972,581	11,583,364
Transfers	971,467	2,863,856	(971,467)	(2,863,856)	-	-
Increase (decrease) in net position	(2,341,119)	7,021,485	4,313,700	4,561,879	1,972,581	11,583,364
Net position – beginning	60,817,152	53,795,667	90,268,243	85,706,364	151,085,395	139,502,031
Net position – ending	\$ 58,476,033	\$ 60,817,152	\$ 94,581,943	\$ 90,268,243	\$ 153,057,976	\$ 151,085,395

TOWN OF FRONT ROYAL, VIRGINIA

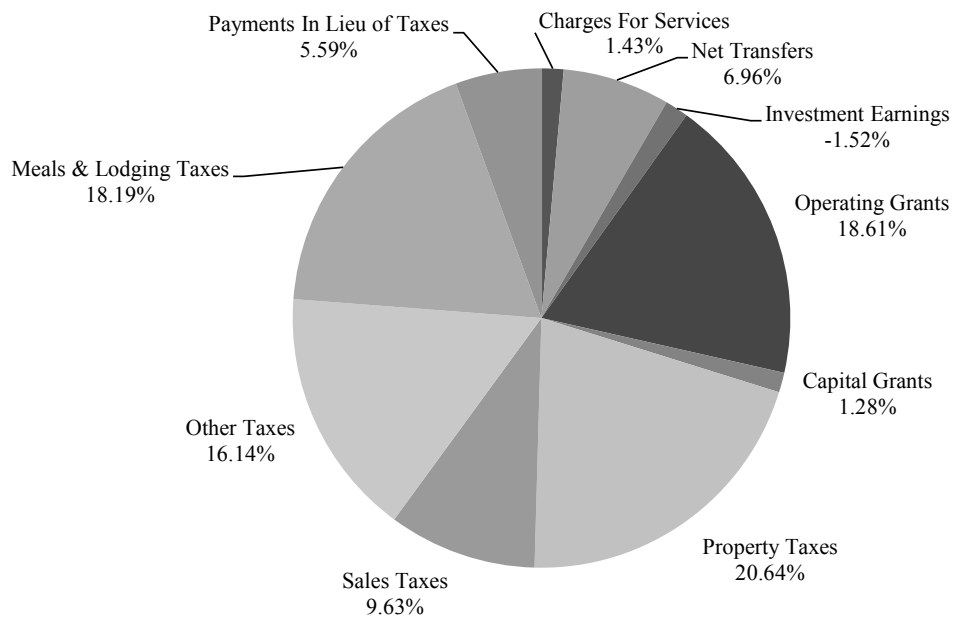
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following charts present a graphic representation of the Town's governmental activities and the related revenue structure for fiscal year 2022.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



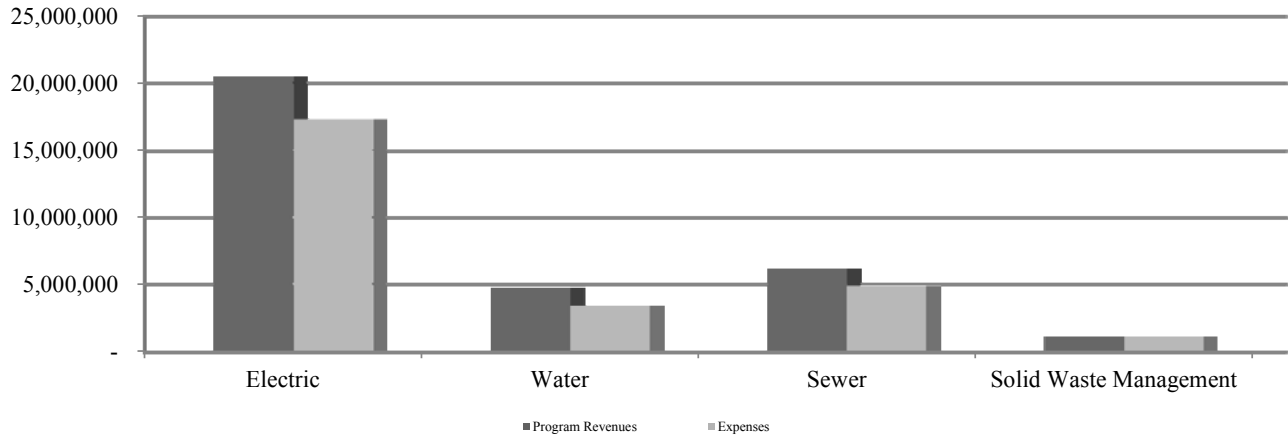
TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

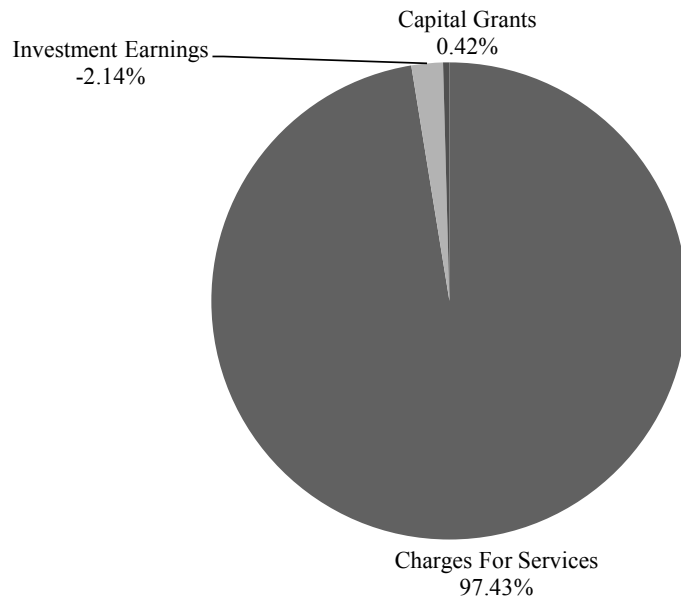
Business-type activities. Business-type activities increased the Town of Front Royal, Virginia's net position by \$4,313,700. Key elements of this increase are as follows:

- 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 \$26,209,033, a decrease of \$(96,256) in comparison with the prior year. Approximately 21% of this total amount, \$5,495,826 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance represents funds in nonspendable form (\$18,144), assigned for future use (\$7,199,741), and restricted by third parties (\$13,495,332).

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 \$5,867,423, while total fund balance reached \$25,200,006. 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 46 percent of total general fund expenditures, while total fund balance represents 195 percent of that same amount.

The fund balance of the Town's general fund decreased by \$(213,513) during the current fiscal year. Key factors in this increase are as follows:

- \$2,221,725 transfers to other funds

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 \$74,615,025 and those for the electric function amounted to \$19,966,918. The total increase in net position for all enterprise funds was \$341,825. 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 \$5,503,719 and are noted as follows: a \$2,637 increase in Legislative; a \$707,192 increase in Executive; a \$276,538 increase in Legal; a \$165 increase in Finance; a \$543,314 increase in Planning, Zoning and Community Development; a \$333,808 increase in Police Department; a \$3,176,413 increase in Public Works and Engineering; a \$294,015 increase in Nondepartmental; and \$169,637 increase in Transfers to Other Funds.

Actual general fund revenues were less than budgeted revenues by \$119,840. The variance relates primarily to general property taxes. Actual general fund expenditures were less than the budgeted expenditures by \$3,802,374.

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, 2022, amounts to \$147,102,870 (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 \$780,875
- Street and sidewalk projects totaling \$1,009,564
- Sewer I&I abatement and urgent repairs costing \$3,797,706

The table below summarizes the capital assets of the Town at June 30, 2022 and 2021.

TOWN OF FRONT ROYAL - CAPITAL ASSETS (NET OF DEPRECIATION)						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
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	18,981,453	18,423,031	76,007,297	74,130,440	94,988,750	92,553,471
Utility distribution systems	-	-	21,011,293	21,757,348	21,011,293	21,757,348
Vehicles	298,667	425,787	300,598	462,037	599,265	887,824
Machinery and Equipment	678,995	684,620	1,174,130	1,490,090	1,853,125	2,174,710
Infrastructure	25,857,299	29,943,112	-	-	25,857,299	29,943,112
Total	\$ 47,120,730	\$ 50,780,866	\$ 99,982,140	\$ 99,328,737	\$ 147,102,870	\$ 150,109,603

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 \$34,718,715. 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	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ -	\$ -	\$ 34,718,715	\$ 37,402,594	\$ 34,718,715	\$ 37,402,594

The Town of Front Royal's total bonded debt decreased by \$2,683,879 (7.2 percent) during the current fiscal year. The majority of the debt is \$29,238,714 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 \$8,221,176. 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	
	2022	2021	2022	2021	2022	2021
	\$ 8,185,792	\$ 8,973,754	\$ 35,384	\$ 87,802	\$ 8,221,176	\$ 9,061,556

The Town of Front Royal's total notes debt increased during the current fiscal year. The majority of the debt is \$8,185,792 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 \$143,224,180 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 the same as the prior year.
- This compares to the state's average unemployment rate of 2.6 percent and to the national average rate of 3.7 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 2022 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund was \$5,867,423. 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 27,186,854	\$ 10,863,880	\$ 38,050,734
Investments	-	18,725,045	18,725,045
Receivables (net of allowance for uncollectibles, where applicable)			
Delinquent taxes, including penalties	2,475,622	-	2,475,622
Accounts	-	2,763,641	2,763,641
Other	140,826	77,806	218,632
Internal balances	(433,165)	433,165	-
Due from other governments	401,270	-	401,270
Inventories and other assets	18,144	2,168,487	2,186,631
Temporarily restricted assets - cash and cash equivalents			
Customer deposits	-	790,876	790,876
Capital assets (net of accumulated depreciation)			
Land	1,304,316	1,488,822	2,793,138
Buildings and improvements	18,981,453	76,007,297	94,988,750
Utility distribution systems	-	21,011,293	21,011,293
Vehicles	298,667	300,598	599,265
Machinery and equipment	678,995	1,174,130	1,853,125
Infrastructure	25,857,299	-	25,857,299
Total Assets	76,910,281	135,805,040	212,715,321
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	277,045	277,045
Deferred pension, GLI and LODA obligations	1,844,410	674,762	2,519,172
Total Deferred Outflows	1,844,410	951,807	2,796,217
Liabilities			
Banking advances	499,322	-	499,322
Accounts payable	735,449	1,893,987	2,629,436
Accrued interest payable	-	60,564	60,564
Liabilities payable with restricted assets	-	790,876	790,876
Noncurrent liabilities			
Due within one year	733,623	2,891,149	3,624,772
Due in more than one year	14,511,403	34,917,256	49,428,659
Total Liabilities	16,479,797	40,553,832	57,033,629
Deferred Inflows of Resources			
Deferred pension, GLI and LODA inflows	3,798,861	1,621,072	5,419,933
Net Position			
Net investment in capital assets	38,432,104	65,022,977	103,455,081
Restricted for:			
Streets and highways	6,208,973	-	6,208,973
Capital outlays	26,956	-	26,956
Community development	1,353,668	-	1,353,668
ARPA	5,905,725	-	5,905,725
Unrestricted	6,548,607	29,558,966	36,107,573
Total Net Position	\$ 58,476,033	\$ 94,581,943	\$ 153,057,976

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, 2022

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	\$ 3,461,743	\$ 32,793	\$ -	\$ 178,370	\$ (3,250,580)	\$ -	\$ (3,250,580)
Public safety	5,234,058	134,874	376,331	-	(4,722,853)	-	(4,722,853)
Engineering and public works	2,334,275	-	2,221,832	-	(112,443)	-	(112,443)
Planning, zoning, and community development	617,511	32,485	-	-	(585,026)	-	(585,026)
Interest	176,510	-	-	-	(176,510)	-	(176,510)
Infrastructure depreciation	4,085,813	-	-	-	(4,085,813)	-	(4,085,813)
Total governmental activities	15,909,910	200,152	2,598,163	178,370	(12,933,225)	-	(12,933,225)
Business-type activities							
Electric	17,301,690	20,476,849	-	14,919	-	3,190,078	3,190,078
Water	3,384,680	4,767,823	-	-	-	1,383,143	1,383,143
Sewer	4,884,514	6,137,710	-	126,500	-	1,379,696	1,379,696
Solid Waste Mangement	1,091,676	1,139,065	-	-	-	47,389	47,389
Total business-type activities	26,662,560	32,521,447	-	141,419	-	6,000,306	6,000,306
Total primary government	\$ 42,572,470	\$ 32,721,599	\$ 2,598,163	\$ 319,789	(12,933,225)	6,000,306	(6,932,919)
General Revenues							
Property taxes					2,594,239	-	2,594,239
Sales taxes					1,344,539	-	1,344,539
Business and occupational taxes					921,215	-	921,215
Franchise and bank stock taxes					496,127	-	496,127
Communication taxes					121,782	-	121,782
Consumer taxes					236,869	-	236,869
Meals and lodging taxes					2,539,705	-	2,539,705
Virginia personal property tax reduction					287,000	-	287,000
Payment in lieu of taxes					780,924	-	780,924
Motor vehicle tax					385,138	-	385,138
Other general taxes					91,808	-	91,808
Unrestricted investment earnings					(211,836)	(715,139)	(926,975)
Transfers					971,467	(971,467)	-
Insurance recoveries					33,129	-	33,129
Total general revenues and transfers					10,592,106	(1,686,606)	8,905,500
Change in net position					(2,341,119)	4,313,700	1,972,581
Net position - beginning					60,817,152	90,268,243	151,085,395
Net position - ending					\$ 58,476,033	\$ 94,581,943	\$ 153,057,976

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

TOWN OF FRONT ROYAL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 25,536,059	\$ 1,650,795	\$ 27,186,854
Receivables (net of allowance for uncollectibles, where applicable)			
Delinquent taxes, including penalties	2,475,622	-	2,475,622
Other	140,826	-	140,826
Due from other governments	401,270	-	401,270
Interfund advances	49,915	4,500	54,415
Inventories and other assets	18,144	-	18,144
Total Assets	\$ 28,621,836	\$ 1,655,295	\$ 30,277,131
Liabilities, Deferred Inflows and Fund Balances			
Liabilities			
Banking advances	\$ -	\$ 499,322	\$ 499,322
Accounts payable	539,871	-	539,871
Accrued liabilities	195,578	-	195,578
Interfund advances	340,634	146,946	487,580
Total Liabilities	1,076,083	646,268	1,722,351
Deferred Inflows of Resources			
Unavailable revenue	2,345,747	-	2,345,747
Fund balances			
Nonspendable:			
Inventory	5,153	-	5,153
Prepaid items	12,991	-	12,991
Restricted for:			
Streets and highways	6,208,973	-	6,208,973
Capital outlays	-	26,956	26,956
Community development	-	1,353,668	1,353,668
ARPA	5,905,725	-	5,905,725
Assigned for:			
Expenditures designated for future years	7,199,741	-	7,199,741
Unassigned	5,867,423	(371,597)	5,495,826
Total Fund Balances	25,200,006	1,009,027	26,209,033
Total Liabilities, Deferred Inflows and Fund Balances	\$ 28,621,836	\$ 1,655,295	

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.	47,120,730
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,345,747
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.	(11,744,262)
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.	(5,455,215)
Net position of governmental activities	\$ 58,476,033

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, 2022

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 1,773,179	\$ 523,040	\$ 2,296,219
Sales	1,344,539	-	1,344,539
Business and occupational	921,215	-	921,215
Franchise	74,057	-	74,057
Consumer	236,869	-	236,869
Vehicle taxes	385,138	-	385,138
Bank stock	422,070	-	422,070
Meals and lodging	2,539,705	-	2,539,705
Payment in lieu of taxes	780,924	-	780,924
Permits, fees, and licenses	32,485	-	32,485
Fines and forfeitures	128,665	-	128,665
Revenues from use of money & property (including FV adjustment)	(211,836)	-	(211,836)
Charges for services	(10,354)	-	(10,354)
Miscellaneous	43,147	-	43,147
Recovered costs	-	6,209	6,209
Intergovernmental	3,192,223	84,900	3,277,123
Total revenues	<u>11,652,026</u>	<u>614,149</u>	<u>12,266,175</u>
Expenditures			
General government			
Legislative	156,787	-	156,787
Executive	1,855,698	-	1,855,698
Legal	466,169	-	466,169
Finance	858,753	-	858,753
Public safety - Police	5,144,468	-	5,144,468
Planning, zoning, and community development	584,421	5,317	589,738
Engineering and public works	3,155,110	121,900	3,277,010
Nondepartmental	556,765	-	556,765
Debt Service:			
Principal	74,349	210,780	285,129
Interest	17,615	158,895	176,510
Total expenditures	<u>12,870,135</u>	<u>496,892</u>	<u>13,367,027</u>
Deficiency of revenues under expenditures	<u>(1,218,109)</u>	<u>117,257</u>	<u>(1,100,852)</u>
Other Financing Sources (Uses)			
Transfers in	3,193,192	-	3,193,192
Transfers (out)	(2,221,725)	-	(2,221,725)
Insurance recoveries	33,129	-	33,129
Total other financing sources and uses	<u>1,004,596</u>	<u>-</u>	<u>1,004,596</u>
Net change in fund balances	<u>(213,513)</u>	<u>117,257</u>	<u>(96,256)</u>
Fund balances - beginning	<u>25,413,519</u>	<u>891,770</u>	<u>26,305,289</u>
Fund balances - ending	<u>\$ 25,200,006</u>	<u>\$ 1,009,027</u>	<u>\$ 26,209,033</u>

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, 2022

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

Net change in fund balances - total governmental funds	\$ (96,256)
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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	1,370,672	
Less depreciation and amortization expense	<u>(5,030,808)</u>	
Excess of capital outlay over depreciation and amortization		(3,660,136)

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	298,020
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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.

Principal repayments		
Police facility loan	210,780	
Equipment note	<u>74,349</u>	
		285,129

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	18,066	
Other post employment benefits		
Pension obligation, group life and LODA insurance	3,771,625	
Health insurance	<u>503,279</u>	
		4,292,970

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	(344,488)	
Deferred inflows	<u>(3,116,358)</u>	
		<u>(3,460,846)</u>

Change in net position of governmental activities	<u><u>\$ (2,341,119)</u></u>
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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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Revenues				
General property taxes	\$ 1,535,680	\$ 1,961,680	\$ 1,773,179	\$ (188,501)
Other local taxes	5,677,660	6,413,660	6,704,517	290,857
Permits, fees, and licenses	35,100	35,100	32,485	(2,615)
Fines and forfeitures	113,500	113,500	128,665	15,165
Revenues from use of money & property	92,480	92,480	(211,836)	(304,316)
Charges for services	3,050	1,050	(10,354)	(11,404)
Miscellaneous	3,330	5,059	43,147	38,088
Intergovernmental	3,019,085	3,149,836	3,192,223	42,387
Total revenues	10,479,885	11,772,365	11,652,026	(120,339)
Expenditures				
General government				
Legislative	167,400	170,037	156,787	13,250
Executive	2,177,300	2,884,492	1,855,698	1,028,794
Legal	403,005	679,543	466,169	213,374
Finance	907,075	907,240	858,753	48,487
Total general government	3,654,780	4,641,312	3,337,407	1,303,905
Public safety - police	5,227,200	5,561,008	5,144,468	416,540
Planning and zoning	534,785	1,078,099	584,421	493,678
Public works and engineering	3,380,950	6,557,363	3,155,110	3,402,253
Non-departmental	592,800	886,815	648,729	238,086
Total expenditures	13,390,515	18,724,597	12,870,135	5,854,462
Deficiency of revenues under expenditures	(2,910,630)	(6,952,232)	(1,218,109)	5,734,123
Other Financing Sources				
Transfers in	3,060,900	3,193,192	3,193,192	-
Transfers out	-	(169,637)	(2,221,725)	(2,052,088)
Insurance recoveries	-	32,630	33,129	499
	3,060,900	3,056,185	1,004,596	(2,051,589)
Net change in fund balances	150,270	(3,896,047)	(213,513)	3,682,534
Fund balances - beginning	25,413,519	25,413,519	25,413,519	-
Fund balances - ending	\$ 25,563,789	\$ 21,517,472	\$ 25,200,006	\$ 3,682,534

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, 2022

	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	\$ 2,828,583	\$ 3,943,201
Investments	6,178,375	3,927,541	5,561,307	4,355,978
Due from other funds	70,663	220,663	877,859	877,859
Accounts receivable (net of allowance for uncollectibles)	1,642,962	1,851,341	472,789	613,537
Other receivables	67,431	20,974	-	-
Inventories	1,476,555	1,441,071	345,966	435,552
Total current assets	9,435,986	8,213,425	10,086,504	10,226,127
Noncurrent assets				
Restricted cash and cash equivalents				
Customer deposits	717,768	595,656	73,108	52,055
Bond funds	-	-	-	-
	717,768	595,656	73,108	52,055
Capital assets				
Land, buildings and structures	8,831,217	8,831,217	22,550,867	21,723,464
Utility distribution systems	12,339,014	12,128,201	23,259,979	23,152,551
Vehicles	1,673,269	1,673,269	428,354	428,354
Equipment	2,034,066	2,013,946	1,537,703	1,447,753
Less accumulated depreciation	(11,822,663)	(11,102,451)	(21,021,029)	(19,944,228)
Total capital assets (net of accumulated depreciation)	13,054,903	13,544,182	26,755,874	26,807,894
Total noncurrent assets	13,772,671	14,139,838	26,828,982	26,859,949
Total Assets	23,208,657	22,353,263	36,915,486	37,086,076
Deferred Outflows of Resources				
Deferred charge on refunded debt	-	-	277,045	324,539
Deferred pension and GLI obligation	241,601	300,371	177,068	226,048
Total Deferred Outflows	241,601	300,371	454,113	550,587
Liabilities				
Current liabilities				
Accounts payable	1,343,856	1,450,395	31,226	42,389
Accrued interest payable	-	-	60,564	66,688
Bank advances	-	-	-	-
Compensated absences - current	51,134	73,722	37,720	40,346
General obligation bonds - current	-	-	740,000	715,000
Loan payable - current	-	-	-	-
Total current liabilities	1,394,990	1,524,117	869,510	864,423
Noncurrent liabilities				
Customer deposits payable	717,768	595,656	73,108	52,055
Compensated absences	51,134	73,722	37,720	40,345
OPEB liability	287,899	353,363	295,721	363,794
General obligation bonds payable	-	-	5,205,076	6,025,494
Loan payable	-	-	-	-
Unfunded pension and GLI liability	442,557	1,072,030	328,688	804,110
Total noncurrent liabilities	1,499,358	2,094,771	5,940,313	7,285,798
Total Liabilities	2,894,348	3,618,888	6,809,823	8,150,221
Deferred Inflows of Resources				
Deferred pension and GLI inflow	588,992	74,333	444,555	55,631
Net Position				
Net investment in capital assets	13,054,903	13,544,182	21,087,843	20,391,939
Unrestricted	6,912,015	5,416,231	9,027,378	9,038,872
Total Net Position	\$ 19,966,918	\$ 18,960,413	\$ 30,115,221	\$ 29,430,811

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, 2022

	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	\$ 6,804,948	\$ 7,997,482	\$ 1,230,349	\$ 1,253,394	\$ 10,863,880
Investments	6,985,363	6,019,455	-	-	18,725,045
Due from other funds	(357,640)	(357,640)	(157,717)	(157,717)	433,165
Accounts receivable (net of allowance for uncollectibles)	535,447	586,123	112,443	117,999	2,763,641
Other receivables	10,375	11,900	-	-	77,806
Inventories	345,966	435,552	-	-	2,168,487
Total current assets	14,324,459	14,692,872	1,185,075	1,213,676	35,032,024
Noncurrent assets					
Restricted cash and cash equivalents					
Customer deposits	-	-	-	-	790,876
Bond funds	-	-	-	-	-
	-	-	-	-	790,876
Capital assets					
Land, buildings and structures	65,418,707	62,168,148	54,941	54,941	96,855,732
Utility distribution systems	23,434,693	23,326,837	-	-	59,033,686
Vehicles	762,022	762,022	1,128,495	1,128,495	3,992,140
Equipment	1,852,489	1,844,109	671,078	671,078	6,095,336
Less accumulated depreciation	(31,451,353)	(29,362,408)	(1,699,709)	(1,616,561)	(65,994,754)
Total capital assets (net of accumulated depreciation)	60,016,558	58,738,708	154,805	237,953	99,982,140
Total noncurrent assets	60,016,558	58,738,708	154,805	237,953	100,773,016
Total Assets	74,341,017	73,431,580	1,339,880	1,451,629	135,805,040
Deferred Outflows of Resources					
Deferred charge on refunded debt	-	-	-	-	277,045
Deferred pension and GLI obligation	154,489	182,984	101,604	117,785	674,762
Total Deferred Outflows	154,489	182,984	101,604	117,785	951,807
Liabilities					
Current liabilities					
Accounts payable	504,741	150,907	14,164	9,956	1,893,987
Accrued interest payable	-	-	-	-	60,564
Bank advances	-	-	-	-	-
Compensated absences - current	37,117	41,135	20,914	16,946	146,885
General obligation bonds - current	1,968,880	1,968,880	-	-	2,708,880
Loan payable - current	-	-	35,384	38,794	35,384
Total current liabilities	2,510,738	2,160,922	70,462	65,696	4,845,700
Noncurrent liabilities					
Customer deposits payable	-	-	-	-	790,876
Compensated absences	37,116	41,134	20,913	16,945	146,883
OPEB liability	261,387	321,557	211,183	259,796	1,056,190
General obligation bonds payable	27,269,834	29,238,714	-	-	32,474,910
Loan payable	-	-	17,034	49,008	17,034
Unfunded pension and GLI liability	276,376	657,219	174,618	420,983	1,222,239
Total noncurrent liabilities	27,844,713	30,258,624	423,748	746,732	35,708,132
Total Liabilities	30,355,451	32,419,546	494,210	812,428	40,553,832
Deferred Inflows of Resources					
Deferred pension and GLI inflow	356,737	45,766	230,788	29,219	1,621,072
Net Position					
Net investment in capital assets	30,777,844	27,531,114	102,387	150,151	65,022,977
Unrestricted	13,005,474	13,618,138	614,099	577,616	29,558,966
Total Net Position	\$ 43,783,318	\$ 41,149,252	\$ 716,486	\$ 727,767	\$ 94,581,943

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, 2022

	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	\$ 20,302,593	\$ 19,440,141	\$ -	\$ -
Water and sewer sales	-	-	4,433,644	4,719,922
Installation and connection charges	138,907	585,129	215,132	223,332
Refuse service fees	-	-	-	-
Miscellaneous revenues	35,349	69,566	6,080	66,918
Total operating revenues	<u>20,476,849</u>	<u>20,094,836</u>	<u>4,654,856</u>	<u>5,010,172</u>
Operating expenses				
Personal service	1,192,705	1,473,635	1,008,725	1,127,854
Contractual service	106,707	68,719	203,033	193,006
Electric power	14,726,316	14,140,183	-	-
Depreciation	720,211	652,088	1,076,801	956,070
Other charges	799,464	954,501	988,095	585,664
Operating expenses capitalized	(246,298)	(1,046,519)	(107,428)	(91,724)
Total operating expenses	<u>17,299,105</u>	<u>16,242,607</u>	<u>3,169,226</u>	<u>2,770,870</u>
Operating income	<u>3,177,744</u>	<u>3,852,229</u>	<u>1,485,630</u>	<u>2,239,302</u>
Nonoperating revenues (expenses)				
Investment earnings	(297,881)	11,978	(222,740)	12,476
Interest expense	(2,585)	(2,917)	(215,454)	(240,837)
Lease income	-	-	112,967	109,967
Total nonoperating revenue (expenses)	<u>(300,466)</u>	<u>9,061</u>	<u>(325,227)</u>	<u>(118,394)</u>
Income before contributions and transfers	2,877,278	3,861,290	1,160,403	2,120,908
Transfers and contributions				
Capital grants	14,919	25,793	-	-
Transfers in (out)	<u>(1,885,692)</u>	<u>(1,871,065)</u>	<u>(475,993)</u>	<u>(493,475)</u>
Change in net position	1,006,505	2,016,018	684,410	1,627,433
Total net position - beginning of year	<u>18,960,413</u>	<u>16,944,395</u>	<u>29,430,811</u>	<u>27,803,378</u>
Total net position - end of year	<u>\$ 19,966,918</u>	<u>\$ 18,960,413</u>	<u>\$ 30,115,221</u>	<u>\$ 29,430,811</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, 2022

	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	\$ -	\$ -	\$ -	\$ -	\$ 20,302,593
Water and sewer sales	5,716,276	5,530,130	-	-	10,149,920
Installation and connection charges	420,809	600,307	-	-	774,848
Refuse service fees	-	-	1,138,748	1,092,014	1,138,748
Miscellaneous revenues	625	(500)	317	7,500	42,371
Total operating revenues	<u>6,137,710</u>	<u>6,129,937</u>	<u>1,139,065</u>	<u>1,099,514</u>	<u>32,408,480</u>
Operating expenses					
Personal service	781,916	916,498	588,816	609,014	3,572,162
Contractual service	242,011	336,928	-	1,184	551,751
Electric power	-	-	-	-	14,726,316
Depreciation	2,088,945	2,024,147	83,149	79,692	3,969,106
Other charges	1,879,498	1,928,566	416,622	195,534	4,083,679
Operating expenses capitalized	(107,856)	(91,724)	-	-	(461,582)
Total operating expenses	<u>4,884,514</u>	<u>5,114,415</u>	<u>1,088,587</u>	<u>885,424</u>	<u>26,441,432</u>
Operating income	<u>1,253,196</u>	<u>1,015,522</u>	<u>50,478</u>	<u>214,090</u>	<u>5,967,048</u>
Nonoperating revenues (expenses)					
Investment earnings	(222,740)	27,516	28,222	38,586	(715,139)
Interest expense	-	-	(3,089)	(4,470)	(221,128)
Lease income	-	-	-	-	112,967
Total nonoperating revenues (expenses)	<u>(222,740)</u>	<u>27,516</u>	<u>25,133</u>	<u>34,116</u>	<u>(823,300)</u>
Income before contributions and transfers	<u>1,030,456</u>	<u>1,043,038</u>	<u>75,611</u>	<u>248,206</u>	<u>5,143,748</u>
Transfers and contributions					
Capital grants	126,500	126,500	-	-	141,419
Transfers in (out)	1,477,110	(592,935)	(86,892)	93,619	(971,467)
Change in net position	<u>2,634,066</u>	<u>576,603</u>	<u>(11,281)</u>	<u>341,825</u>	<u>4,313,700</u>
Total net position - beginning of year	<u>41,149,252</u>	<u>40,572,649</u>	<u>727,767</u>	<u>385,942</u>	<u>90,268,243</u>
Total net position - end of year	<u>\$ 43,783,318</u>	<u>\$ 41,149,252</u>	<u>\$ 716,486</u>	<u>\$ 727,767</u>	<u>\$ 94,581,943</u>

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, 2022

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 20,638,771	\$ 4,795,604	\$ 6,189,911	\$ 1,144,621	\$ 32,768,907
Payments to suppliers	(15,471,564)	(1,052,297)	(1,630,403)	(461,027)	(18,615,291)
Payments to employees	(1,293,925)	(1,051,494)	(831,329)	(609,495)	(3,786,243)
Net cash provided by operating activities	3,873,282	2,691,813	3,728,179	74,099	10,367,373
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	(1,885,692)	(475,993)	1,477,110	(86,892)	(971,467)
Lease income	-	112,967	-	-	112,967
Interfund (advances)/repayments	150,000	-	-	-	150,000
Net cash provided by (used in) noncapital financing activities	(1,735,692)	(363,026)	1,477,110	(86,892)	(708,500)
Cash Flows from Capital and Related Financing Activities					
Acquisition/construction of capital assets	(230,932)	(1,024,781)	(3,366,795)	-	(4,622,508)
Principal paid on capital debt	-	(715,000)	(1,968,880)	(35,385)	(2,719,265)
Grants received	14,919	-	126,500	-	141,419
Interest paid	(2,585)	(254,502)	-	(3,089)	(260,176)
Net cash (used in) capital and related financing activities	(218,598)	(1,994,283)	(5,209,175)	(38,474)	(7,460,530)
Cash Flows from Investing Activities					
Sales (purchases) of investments	(2,250,834)	(1,205,329)	(965,908)	-	(4,422,071)
Interest and dividends received	(297,881)	(222,740)	(222,740)	28,222	(715,139)
Net cash provided by (used in) investing activities	(2,548,715)	(1,428,069)	(1,188,648)	28,222	(5,137,210)
Net increase (decrease) in cash and cash eq.	(629,723)	(1,093,565)	(1,192,534)	(23,045)	(2,938,867)
Cash and cash equivalents July 1, 2021	1,347,491	3,995,256	7,997,482	1,253,394	14,593,623
Cash and cash equivalents June 30, 2022	\$ 717,768	\$ 2,901,691	\$ 6,804,948	\$ 1,230,349	\$ 11,654,756
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 3,177,744	\$ 1,485,630	\$ 1,253,196	\$ 50,478	\$ 5,967,048
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation expense	720,211	1,076,801	2,088,945	83,149	3,969,106
(Increase) decrease in:					
Accounts receivable	208,379	140,748	50,676	5,556	405,359
Other receivables	(46,457)	-	1,525	-	(44,932)
Inventories	(35,484)	89,586	89,586	-	143,688
Deferred pension	58,770	48,980	28,495	16,181	152,426
Customer deposits	122,112	21,053	-	-	143,165
Increase (decrease) in:					
Accounts payable	(106,539)	(11,163)	353,834	4,208	240,340
OPEB liability	(65,464)	(68,073)	(60,170)	(48,613)	(242,320)
Compensated absences	(45,176)	(5,251)	(8,036)	7,936	(50,527)
Pension liability	(629,473)	(475,422)	(380,843)	(246,365)	(1,732,103)
Deferred pension	514,659	388,924	310,971	201,569	1,416,123
Total adjustments	695,538	1,206,183	2,474,983	23,621	4,400,325
Net cash provided by (used in) operating activities	\$ 3,873,282	\$ 2,691,813	\$ 3,728,179	\$ 74,099	\$ 10,367,373
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.

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.

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

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.

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)

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.

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 assets that applies to a future periods 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.

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 (Continued)

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 assets that applies to a future periods 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.

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 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)

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 \$1,809,386 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.

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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 the Town implemented where applicable the following new accounting pronouncements and guides issued by the Government Accounting Standards Board (GASB):

- 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. The Town evaluated the effects of this statement noting there would be no major financial reporting impact.
- 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. 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. 92, "Omnibus." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.
- GASB Statement No. 93, "Replacement of Interbank Offered Rates." Effective date is for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 will take effect for financial statements starting with the fiscal year that ends June 30, 2022.
- GASB Statement No. 98, "The Annual Comprehensive Financial Report." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021.
- 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." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

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

- 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 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.
- GASB Statement No. 96, "Subscription-based Information Technology Arrangements." The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 \$11,744,263 are as follows:

Description	Amount
Compensated absences	\$ 877,437
OPEB liability - health insurance benefit	2,178,199
Equipment purchase loan	502,834
Police facility loan	8,185,792
Net adjustment to reduce <i>fund balance - total governmental</i>	<u>\$ 11,744,262</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 \$3,660,136 difference is as follows:

Description	Amount
Capital outlay	\$ 1,370,672
Depreciation expense	(5,030,808)
Net adjustment to increase <i>net changes in fund balances -total governmental</i>	<u>\$ (3,660,136)</u>

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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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 \$5,503,719.

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, 2022, there were no departments with expenditures which exceeded appropriations.

C. Deficit Fund Balance

At June 30, 2022 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, 2022 the carrying amount of the Town's deposits with bank and savings institutions was \$2,412,424 and the bank balance was \$2,644,933.

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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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 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;

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

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, 2022, 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.

As of June 30, 2022, the government had the following investments:

Investment Type	Fair Value	Maturity	
		1 Year	Over 1 Year
Marketable CDs	\$ 1,791,759	\$ 686,111	\$ 1,105,648
Money market cash accounts	12,075,426	12,075,426	-
Governmental securities	18,725,045	3,213,335	15,511,710
Local government investment pool (LGIP)	3,151,648	3,151,648	-
Banking account sweep investment	18,908,851	18,908,851	-
Total	\$ 54,652,729	\$ 38,035,371	\$ 16,617,358

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

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	\$ 2,180	\$ 2,180	\$ -
Bank Deposits	2,412,424	2,412,424	-
Investments	54,652,729	35,927,684	18,725,045
Total	<u>\$ 57,067,333</u>	<u>\$ 38,342,288</u>	<u>\$ 18,725,045</u>

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, 2022:

- 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, 2022. 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, 2022, unbilled service recorded was \$1,411,850.

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	\$ 2,475,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,475,622
Accounts	-	1,183,754	208,056	271,337	96,626	-	1,759,773
Intergovernmental	401,270	-	-	-	-	-	401,270
Unbilled	-	754,924	293,163	315,760	48,003	-	1,411,850
Other	140,826	104,780	-	15,051	-	-	260,657
Less: allowance	-	(333,065)	(28,430)	(56,326)	(32,186)	-	(450,007)
Net receivables	\$ 3,017,718	\$ 1,710,393	\$ 472,789	\$ 545,822	\$ 112,443	\$ -	\$ 5,859,165

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	\$ 2,345,747	\$ -
Special Revenue Fund - Property Taxes	-	-
	\$ 2,345,747	\$ -

D. Due from Other Governments

At June 30, 2022 amounts due from other governments were as follows:

Description/Payer	General
Commonwealth of Virginia	
Personal Property Tax Relief Act	\$ 286,137
Communications Tax	11,480
Warren County, Virginia - Sales Tax	103,653
	\$ 401,270

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, 2022 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	21,894,432	1,145,177	-	23,039,609
Vehicles	2,567,222	52,078	-	2,619,300
Equipment	4,851,388	173,417	-	5,024,805
Infrastructure	124,617,285	-	-	124,617,285
Total	<u>153,930,327</u>	<u>1,370,672</u>	<u>-</u>	<u>155,300,999</u>
Less accumulated depreciation for				
Buildings and improvements	(3,471,401)	(586,755)	-	(4,058,156)
Vehicles	(2,141,435)	(179,198)	-	(2,320,633)
Equipment	(4,166,768)	(179,042)	-	(4,345,810)
Infrastructure	(94,674,173)	(4,085,813)	-	(98,759,986)
Total	<u>(104,453,777)</u>	<u>(5,030,808)</u>	<u>-</u>	<u>(109,484,585)</u>
Net capital assets being depreciated	<u>49,476,550</u>	<u>(3,660,136)</u>	<u>-</u>	<u>45,816,414</u>
Governmental capital assets, net	<u>\$ 50,780,866</u>	<u>\$ (3,660,136)</u>	<u>\$ -</u>	<u>\$ 47,120,730</u>

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

Activity	Depreciation
Governmental activities:	
General government	\$ 255,400
Public safety	393,687
Public works	250,778
Planning, zoning, and community development	45,130
Infrastructure depreciation	4,085,813
Total depreciation expense - governmental activities	<u>\$ 5,030,808</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	91,288,948	4,077,962	-	95,366,910
Utility distribution systems	58,607,589	426,097	-	59,033,686
Vehicles	3,992,140	-	-	3,992,140
Equipment	5,976,886	118,450	-	6,095,336
Total	<u>159,865,563</u>	<u>4,622,509</u>	<u>-</u>	<u>164,488,072</u>
Less accumulated depreciation for				
Buildings and improvements	(17,158,508)	(2,201,105)	-	(19,359,613)
Utility distribution systems	(36,850,241)	(1,172,152)	-	(38,022,393)
Vehicles	(3,530,103)	(161,439)	-	(3,691,542)
Equipment	(4,486,796)	(434,410)	-	(4,921,206)
Total	<u>(62,025,648)</u>	<u>(3,969,106)</u>	<u>-</u>	<u>(65,994,754)</u>
Net capital assets being depreciated	<u>97,839,915</u>	<u>653,403</u>	<u>-</u>	<u>98,493,318</u>
Business-type capital assets, net	<u>\$ 99,328,737</u>	<u>\$ 653,403</u>	<u>\$ -</u>	<u>\$ 99,982,140</u>

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

Activity	Depreciation
Business-type activities:	
Electric	\$ 720,211
Water	1,076,801
Sewer	2,088,945
Solid Waste Management	83,149
Total depreciation expense - business-type activities	<u>\$ 3,969,106</u>

There were no significant intangible asset acquisitions during the fiscal year ended June 30, 2022.

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, 2022 is as follows:

Advanced to	From	Amount
General Fund	Electric Fund	\$ 37,733
General Fund	Sewer Fund	151,007
General Fund	Water Fund	345,966
Special Revenue	General Fund	49,915
Sewer Fund	Water Fund	506,397
Water Fund	Economic Development	2,250
Water Fund	Solid Waste	139,535
Water Fund	Electric Fund	14,747
Solid Waste Management	Electric Fund	18,182
Sewer Fund	Economic Development	2,250
		<u>\$ 1,267,982</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 2022 is as follows:

Transferred to	From	Amount
General Fund	Electric Fund	\$ 1,885,692
General Fund	Water Fund	475,993
General Fund	Sewer Fund	(1,477,110)
General Fund	Solid Waste Management Fund	86,892
		<u>\$ 971,467</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, 2022 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%.	\$ 3,385,000
\$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%.	2,095,000
\$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.	29,238,715
Total bonded debt	34,718,715
<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.	124,706
\$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.	378,128
\$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.	52,418
\$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	8,185,792
Total notes payable	8,741,044
Total long-term debt	\$ 43,459,759

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
2023	\$ 294,903	\$ 166,736	\$ 2,744,264	\$ 225,781
2024	301,416	160,224	2,760,914	191,252
2025	308,083	153,557	2,778,880	155,065
2026	314,907	146,733	2,818,880	114,994
2028	321,894	139,746	2,858,880	73,007
2028-2032	1,338,793	607,540	10,679,400	183,329
2033-2037	1,365,895	482,478	10,129,915	33,590
2038-2042	1,499,659	348,716	-	-
2042-2046	1,646,520	205,855	-	-
2047-2051	1,296,556	46,411	-	-
Total	\$ 8,688,626	\$ 2,457,996	\$ 34,771,133	\$ 977,018

The legal debt limit mandated by the Commonwealth of Virginia is \$143,224,180.

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, 2022 was as follows:

	June 30, 2021	Additions	Retirements	June 30, 2022	One Year
Governmental activities:					
Compensated absences	\$ 895,503	\$ 877,437	\$ (895,503)	\$ 877,437	\$ 438,720
OPEB - Health	2,681,478	-	(503,279)	2,178,199	-
Advance from EDA	-	-	-	-	-
Police facility loan payable	8,396,572	-	(210,780)	8,185,792	218,231
Equipment notes payable	577,183	-	(74,349)	502,834	76,672
Unfunded pension, GLI and LODA	7,272,389	-	(3,771,625)	3,500,764	-
Governmental activity					
Long-term liabilities	\$ 19,823,125	\$ 877,437	\$ (5,455,536)	\$ 15,245,026	\$ 733,623

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, 2021	Additions	Retirements	June 30, 2022	One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 37,402,594	\$ -	\$ (2,683,879)	\$ 34,718,715	\$2,708,880
Unamortized premium	545,494	-	(80,419)	465,075	-
Loans payable	87,802	-	(35,384)	52,418	35,384
Compensated absences	344,295	293,768	(344,295)	293,768	146,885
OPEB - Health	1,298,510	-	(242,320)	1,056,190	-
Unfunded pension and GLI	2,954,342	-	(1,732,103)	1,222,239	-
Business-type activity					
Long-term liabilities	\$ 42,633,037	\$ 293,768	\$ (5,118,400)	\$ 37,808,405	\$2,891,149

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	\$ 438,720	\$ 438,717
Electric	\$ 51,134	\$ 51,134
Water	37,720	37,720
Sewer	37,117	37,116
Solid Waste Management	20,914	20,913
	\$ 146,885	\$ 146,883

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 2022 the Town paid premiums of approximately \$162,721 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 2022, the Town paid contributions of approximately \$337,980 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, 2022 the Town, by budget adoption, suspended EDA project support payments.

D. Other Post-Employment Benefits – Local Plan

Plan Description: The Town of Front Royal Virginia participates in the Retiree Healthcare program which is a single employer benefit plan. The plan 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 2022, 25 retirees had a benefit under this policy with a total cost to the Town of \$51,215. The Town has not made any funding payments beyond required current monthly health insurance premium payments for retired employee coverage.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

Employees Covered by Benefit Terms

As of the July 1, 2021 actuarial valuation measurement date, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries:	
Retirees	17
Retiree spouses	7
Total inactive employees	24
Active plan members	146
Total covered employees	170

Net OPEB Liability

The Town's total net OPEB liability of \$2,882,630 was measured as of June 30, 2022 and was determined by an actuarial valuation performed as of July 1, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods including the measurement, unless otherwise specified:

Assumption	Description
Valuation Date:	July 1, 2021
Measurement Date:	June 30, 2022
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

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

Changes in Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 3,585,582	\$ -	\$ 3,585,582
Changes for the year:			
Service cost	164,932	-	164,932
Interest	78,913	-	78,913
Effect of economic/demographic losses	(450,576)	-	(450,576)
Effect of assumption changes or inputs	(300,842)	-	(300,842)
Benefit payments	(195,379)	-	(195,379)
Net changes	(702,952)	-	(702,952)
Balances at June 30, 2021	\$ 2,882,630	\$ -	\$ 2,882,630

The obligation recorded at June 30, 2022 of \$3,234,389 is greater than the actuarial valuation of \$2,882,630 as the Town expects future benefit payments in excess of amounts paid in.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability to the Town, calculated using the discount rate of 3.54%, as well as what the Town's total OPEB liability would be if it were calculated using a different discount rate that is 1% point lower or higher than the current rate:

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
Total OPEB Liability	\$ 3,123,133	\$ 2,882,630	\$ 2,663,393

The following presents the total OPEB liability to the Town, calculated using the healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using a different discount rate that is 1% point lower or higher than the current rate:

	1.00% Decrease	Current Trend Rate	1.00% Increase
Total OPEB Liability	\$ 2,558,374	\$ 2,882,630	\$ 3,264,233

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

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

For the year ended June 30, 2022 the Town recognized a reduction in the OPEB obligation of \$702,952. Since the Town has funded the OPEB obligation on a pay as you go basis with no plan assets or advanced premium payments, at June 30, 2022 there were no deferred outflows of resources and deferred inflows of resources related to OPEB.

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.

E. Defined Benefit Pension Plan

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, 2020 actuarial valuation measurement date, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2020 Number
Inactive members or their beneficiaries currently receiving benefits	146
Inactive members:	
Vested inactive members	35
Non-vested inactive members	73
Inactive members active elsewhere in VRS	68
Total inactive members	176
Active members	152
Total covered employees	474

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, 2022 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 \$942,786 and \$956,599 for the years ended June 30, 2022 and 2021.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2021. 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, 2021.

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, 2021:

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

Mortality Rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Health Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

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, 2020, 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, 2021.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation

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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Health Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 3 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 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, 2015 through June 30, 2019. 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 – Public Safety Employees (Continued)

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

E. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		* Expected arithmetic normal return	7.39%

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing 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)

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, 2021 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, 2020	\$ 42,465,513	\$ 33,697,781	\$ 8,767,732
Changes for the year:			
Service cost	887,581	-	887,581
Interest	2,788,920	-	2,788,920
Changes of assumptions	1,714,062	-	1,714,062
Differences between expected and actual experience	(196,235)	-	(196,235)
Contributions - employer	-	980,847	(980,847)
Contributions - employee	-	418,237	(418,237)
Net investment income	-	9,160,040	(9,160,040)
Benefit payments, including refunds of employee contributions	(2,296,348)	(2,296,348)	-
Administrative expenses	-	(23,072)	23,072
Other changes	-	861	(861)
Net changes	2,897,980	8,240,565	(5,342,585)
Balances at June 30, 2021	\$ 45,363,493	\$ 41,938,346	\$ 3,425,147

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	\$ 9,203,328	\$ 3,425,147	\$ (1,139,627)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$557,603. At June 30, 2022 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	\$ 8,400	\$ 427,112
Change in assumptions	1,071,228	-
Net difference between projected and actual earnings on pension plan investments	-	4,547,279
Employer contributions subsequent to the measurement date (note below)	942,786	-
Total	\$ 2,022,414	\$ 4,974,391

Contributions to the plan made subsequent to the measurement date of \$942,786 are reported by the employer separate from the actuarial valuation at June 30, 2021 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	\$ 211,927
2022	(721,254)
2023	(1,059,354)
2024	(1,383,296)
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-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, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 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 \$26,012 and \$26,540 for the years ended June 30, 2022 and June 30, 2021, 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, 2021, the measurement date for fiscal year ended June 30, 2022, the entity reported a liability of \$850,100 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was 0.19277% as compared to 0.19735% at June 30, 2020.

For the fiscal year ended June 30, 2022, the entity recognized LODA OPEB expense of \$73,808. 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, 2021, the Town 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	\$ 70,875	\$ 128,712
Net difference between projected and actual earnings	-	4,923
Change in assumptions	235,251	40,664
Changes in proportion	36,436	74,009
Employer contributions subsequent to the measurement date	26,012	-
Total	<u>\$ 368,574</u>	<u>\$ 248,308</u>

\$26,012 reported as deferred outflows of resources related to the LODA OPEB resulting from the Town'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, 2023. 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:

<u>Year ended June 30,</u>	<u>Amortization</u>
2021	\$ 39,424
2022	13,574
2023	13,622
2024	13,672
2025	15,281
Thereafter	24,693

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, 2021.

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	2.16 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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Health Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

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, 2021, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

Description	LODA
Total LODA OPEB Liability	\$ 448,542
Plan Fiduciary Net Position	7,553
Employers' Net OPEB Liability (Asset)	<u>\$ 440,989</u>

Plan Fiduciary Net Position as a Percentage
of the Total LODA OPEB Liability

1.68%

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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

G. Line of Duty Act Program (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.16% 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 2.16% 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, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. 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, 2021, 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.

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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Covered employer's proportionate share of the total LODA Net OPEB Liability	\$ 748,564	\$ 850,100	\$ 977,926

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 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	\$ 697,529	\$ 850,100	\$ 1,014,067

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 Annual Comprehensive Financial Report (ACFR). A copy of the 2021 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

H. Group Life Insurance

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

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$42,880 and \$40,557 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the measurement date for the fiscal year ended June 30, 2022, the Town reported a liability of \$447,779 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.03846% as compared to 0.03790 % at June 30, 2020.

For the fiscal year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$11,796. 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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

At June 30, 2022, 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	\$ 51,071	\$ 3,412
Net difference between projected and actual earnings	-	106,875
Change in assumptions	24,686	61,266
Changes in proportion	9,547	25,681
Employer contributions subsequent to the measurement date	42,880	-
Total	<u>\$ 128,184</u>	<u>\$ 197,234</u>

\$42,880 reported as deferred outflows of resources related to the GLI OPEB obligation 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 or resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year ended June 30,</u>	<u>Amortization</u>
2022	\$ (16,840)
2023	20,233
2024	19,975
2025	38,438
2026	7,244
Thereafter	-

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

Mortality Rates - Non 10 Largest Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Health Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Health Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

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 the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Description	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	2,413,074
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	<u>67.45%</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. Group Life Insurance (Continued)

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.

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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		* Expected arithmetic normal return	7.39%

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of the expected long-term results of the VRS fund asset allocation at that time, providing a medium 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, 2021, 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, 2021 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	\$ 654,221	\$ 447,779	\$ 281,067

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 Annual Comprehensive Financial Report (ACFR). A copy of the 2021 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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)

I. Summary of Pension and Other Postemployment Benefits Elements

	Governmental Activities	Business Type Activities	Total Primary Government
Deferred Outflows of resources - Pension and OPEB			
Differences between expected and actual experience			
Pension	\$ 6,150	\$ 2,250	\$ 8,400
LODA	51,891	18,984	70,875
GLI	37,392	13,679	51,071
Change in assumptions			
Pension	784,299	286,929	1,071,228
LODA	172,239	63,012	235,251
GLI	18,074	6,612	24,686
Changes in proportion			
LODA	26,677	9,759	36,436
GLI	6,990	2,557	9,547
Employer contributions subsequent to the measurement date			
Pension	690,260	252,526	942,786
LODA	19,045	6,967	26,012
GLI	31,395	11,485	42,880
Total Deferred Outflows or resources - Pension and OPEB	<u>\$ 1,844,410</u>	<u>\$ 674,762</u>	<u>\$ 2,519,172</u>
Net pension, GLI and LODA liability			
Pension	2,355,130	1,070,017	3,425,147
LODA	850,100	-	850,100
GLI	295,534	152,222	447,756
	<u>\$ 3,500,764</u>	<u>\$ 1,222,239</u>	<u>\$ 4,723,003</u>
Net OPEB liability - health	<u>\$ 2,178,199</u>	<u>\$ 1,056,190</u>	<u>\$ 3,234,389</u>
Deferred Inflows of resources - Pension and OPEB			
Differences between expected and actual experience			
Pension	\$ 299,365	\$ 127,747	\$ 427,112
LODA	90,215	38,497	128,712
GLI	2,391	1,021	3,412
Net difference between projected and actual earnings			
Pension	3,187,213	1,360,066	4,547,279
LODA	3,451	1,472	4,923
GLI	74,909	31,966	106,875
Changes in assumption			
LODA	28,502	12,162	40,664
GLI	42,942	18,324	61,266
Changes in proportion			
LODA	51,873	22,136	74,009
GLI	18,000	7,681	25,681
Total Deferred Inflows or resources - Pension and OPEB	<u>\$ 3,798,861</u>	<u>\$ 1,621,072</u>	<u>\$ 5,419,933</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

J. Subsequent Events

The Town has evaluated events and transactions subsequent to June 30, 2022 through November 14, 2022, 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, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

	Plan Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 887,581	\$ 924,296	\$ 855,832	\$ 817,668	\$ 839,589	\$ 838,443	\$ 763,448	\$ 772,812
Interest	2,788,920	2,754,505	2,661,052	2,577,315	2,534,294	2,452,835	2,348,782	2,265,421
Changes of assumptions	1,714,062	-	1,171,848	-	(318,380)	-	-	-
Differences between expected and actual experience	(196,235)	(893,252)	368,346	(7,181)	(304,814)	100,624	503,756	-
Changes in assumptions	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,296,348)	(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	2,897,980	530,525	2,782,853	1,278,894	587,394	1,098,781	1,650,094	1,309,410
Total pension liability - beginning	42,465,513	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)	\$ 45,363,493	\$ 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	\$ 980,847	\$ 936,681	\$ 952,791	\$ 1,003,374	\$ 983,818	\$ 1,011,174	\$ 964,775	\$ 1,028,333
Contributions - employee	418,237	376,109	382,999	377,390	364,069	351,767	375,118	336,567
Net investment income	9,160,040	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	(2,296,348)	(2,255,024)	(2,274,225)	(2,108,908)	(2,163,295)	(2,293,121)	(1,965,892)	(1,728,823)
Administrative expense	(23,072)	(22,414)	(21,868)	(20,098)	(20,391)	(18,467)	(18,055)	(21,238)
Other	861	(948)	(1,358)	(2,037)	(3,056)	(210)	(275)	207
Net change in total net pension position	8,240,565	(321,571)	1,198,546	1,549,248	2,619,568	(462,427)	646,940	3,535,875
Total net pension position - beginning	33,697,781	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)	\$ 41,938,346	\$ 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)	\$ 3,425,147	\$ 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	92.45%	79.35%	81.12%	83.83%	82.57%	76.84%	80.46%	82.43%
Covered payroll	\$ 7,971,082	\$ 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	42.97%	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, 2021 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2021 based on the most recent experience study of the System for the four-year period ending June 30, 2021:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB HEALTH INSURANCE LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

	Entity Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB liability								
Service cost	\$ 164,932	\$ 209,933	\$ 177,554	\$ 144,630	\$ 149,146	\$ 275,300	\$ 266,400	\$ 238,300
Interest	78,913	79,280	143,687	148,984	136,420	50,663	47,155	34,618
Change of assumptions	(751,418)	14,634	(768,297)	2,583	(17,922)	(53,525)	(49,819)	(31,060)
Benefit payments, including refunds of employee contributions	(238,026)	(140,857)	(50,730)	(45,940)	(52,681)	(64,956)	(55,631)	(45,794)
Net change in total OPEB liability	(745,599)	162,990	(497,786)	250,257	214,963	207,482	208,105	196,064
OPEB Liability Beginning	3,979,988	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	3,979,988	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)	\$ 3,234,389	\$ 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	\$ 51,215	\$ 54,234	\$ 50,730	\$ 45,940	\$ 52,681	\$ 64,956	\$ 55,631	\$ 45,794
Benefit payments, including refunds of employee contributions	(51,215)	(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)	\$ 3,234,389	\$ 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%	0.00%
Covered payroll	\$ 7,736,627	\$ 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	41.81%	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:	July 1, 2021
Measurement Date:	June 30, 2022
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, 2022

	Plan Year				
	2021	2020	2019	2018	2017
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.19277%	0.19735%	0.19983%	0.21840%	0.19464%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	850,100	826,532	717,000	685,000	511,000
Covered Payroll	** 1,739,478	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	** 48.87%	46.57%	44.18%	47.13%	40.88%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.67%	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)
2022	\$ 26,012	\$ 26,012	\$ -	\$ 1,774,268 *	1.47% *
2021	26,540	26,540	-	1,739,478 *	1.53% *
2020	26,819	26,819	-	1,774,880 *	1.51% *
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, 2020 based on the most recent experience study of the System for the four-year period ending June 30, 2020:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

	Plan Year				
	2021	2020	2019	2018	2017
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03846%	0.03790%	0.04026%	0.04002%	0.04027%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	447,779	632,489	655,000	608,000	606,000
Covered Payroll	** 7,971,082	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	** 5.62%	8.17%	8.11%	7.89%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	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)
2022	\$ 42,880	\$ 42,880	\$ -	\$ 7,971,082	0.54%
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, 2019 based on the most recent experience study of the System for the four-year period ending June 30, 2019:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount rate	No change

**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, 2022**

	Original Budget	Final Budget	Actual Revenues	Variance Positive (Negative)
Source of Revenues				
General Property Taxes				
Real estate taxes				
Current taxes, including penalties	\$ 1,182,155	\$ 1,282,155	\$ 1,166,626	\$ (115,529)
Delinquent taxes, including penalties	14,235	18,235	46,192	27,957
Personal property taxes				
Current taxes, including penalties	296,250	606,250	504,834	(101,416)
Public service corporation taxes	22,100	22,100	20,880	(1,220)
Interest on delinquent taxes	20,940	32,940	34,647	1,707
Total General Property Taxes	<u>1,535,680</u>	<u>1,961,680</u>	<u>1,773,179</u>	<u>(188,501)</u>
Other Local Taxes				
Warren County sales tax	1,145,910	1,230,910	1,344,539	113,629
Business and occupational taxes and penalties	693,490	893,490	921,215	27,725
Franchise taxes	63,840	68,840	74,057	5,217
Consumer taxes - electric deregulation	230,800	237,800	236,869	(931)
Vehicle licenses	383,515	383,515	385,138	1,623
Bank stock taxes	243,935	398,935	422,070	23,135
Lodging taxes	255,540	315,540	352,893	37,353
Meal taxes	1,855,845	2,079,845	2,186,812	106,967
Payment in lieu of taxes	804,785	804,785	780,924	(23,861)
Total Other Local Taxes	<u>5,677,660</u>	<u>6,413,660</u>	<u>6,704,517</u>	<u>290,857</u>
Permits, Fees and Licenses				
Zoning income	34,000	34,000	27,349	(6,651)
Public ROW use fees	1,100	1,100	5,136	4,036
Total Permits, Fees and Licenses	<u>35,100</u>	<u>35,100</u>	<u>32,485</u>	<u>(2,615)</u>
Fines and Forfeitures				
Fines and forfeitures - county	100,000	100,000	116,823	16,823
Fines and forfeitures - town	13,500	13,500	11,842	(1,658)
Total Fines and Forfeitures	<u>113,500</u>	<u>113,500</u>	<u>128,665</u>	<u>15,165</u>
Revenues from Use of Money and Property				
Interest income and market adjustments	91,980	91,980	(212,045)	(304,025)
Interest on accounts receivable	500	500	157	(343)
Rental - Comcast property	-	-	52	52
Total Revenues from Use of Money and Property	<u>92,480</u>	<u>92,480</u>	<u>(211,836)</u>	<u>(304,316)</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, 2022**

	Original Budget	Final Budget	Actual Revenues	Variance Positive (Negative)
Charges for Services				
Curb and gutter charges	2,000	-	(25,361)	(25,361)
Street & walk assessment	1,000	1,000	-	(1,000)
Credit card fees	-	-	14,857	14,857
Sales at Visitors' Center	-	-	-	-
Sales of publications	50	50	150	100
Total Charges for Services	3,050	1,050	(10,354)	(11,404)
Miscellaneous Revenue				
Miscellaneous	\$ 3,330	\$ 5,059	\$ 43,147	\$ 38,088
Intergovernmental				
Rolling stock tax	31,220	31,220	15,874	(15,346)
Virginia personal property tax reduction	287,000	287,000	287,000	-
Communication tax	128,445	128,445	121,782	(6,663)
Rental tax vehicles	61,645	69,645	75,934	6,289
State aid for police and fire	376,295	376,295	376,331	36
Highway maintenance	1,971,380	1,971,380	2,136,932	165,552
Grants	14,915	54,881	35,229	(19,652)
Other reimbursements	148,185	230,970	143,141	(87,829)
Total Intergovernmental	3,019,085	3,149,836	3,192,223	42,387
Total General Fund Revenues	10,479,885	11,772,365	11,652,026	(120,339)
Other Financing Sources				
Transfers from other funds	3,060,900	3,193,192	3,193,192	-
Insurance recoveries	-	32,630	33,129	499
Total Other Financing Sources	3,060,900	3,225,822	3,226,321	499
Total General Fund Revenues and Other Financing Sources	<u>\$ 13,540,785</u>	<u>\$ 14,998,187</u>	<u>\$ 14,878,347</u>	<u>\$ (119,840)</u>

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Legislative				
Town Council				
Personal service	\$ 61,650	\$ 59,825	\$ 58,394	\$ 1,431
Contractual service	69,000	63,900	59,900	4,000
Materials and supplies	12,650	16,050	14,118	1,932
Travel and communications	7,000	9,765	7,216	2,549
Capital outlays	-	-	-	-
Total Town Council	150,300	149,540	139,628	9,912
Clerk of Council				
Personal service	13,900	17,242	14,412	2,830
Contractual service	-	-	-	-
Materials and supplies	200	200	702	(502)
Travel and communications	2,600	2,600	1,550	1,050
Dues and memberships	400	455	495	(40)
Total Clerk of Council	17,100	20,497	17,159	3,338
Total Legislative	167,400	170,037	156,787	13,250
Executive				
Town Manager				
Personal service	415,520	456,059	444,907	11,152
Contractual service	500	7,500	9,639	(2,139)
Materials and supplies	3,900	3,585	3,070	515
Travel and communications	2,000	9,500	9,660	(160)
Dues and memberships	1,500	2,280	2,277	3
Total Town Manager	423,420	478,924	469,553	9,371
Management Services				
Personal service	233,160	214,165	195,497	18,668
Contractual service	51,500	54,000	55,523	(1,523)
Materials and supplies	24,500	26,450	25,867	583
Travel and communications	4,000	6,000	1,271	4,729
Dues and memberships	700	700	279	421
Total Management Services	313,860	301,315	278,437	22,878
Auto/Motorpool				
Personal service	387,760	420,413	399,548	20,865
Contractual service	12,000	12,000	7,488	4,512
Materials and supplies	47,260	47,260	47,113	147
Travel and communications	5,300	5,300	2,517	2,783
Utilities	2,000	2,000	942	1,058
Capital outlays	6,000	350,934	5,957	344,977
Total Auto/Motorpool	460,320	837,907	463,565	374,342

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Office of Information Technology				
Personal service	\$ 203,685	\$ 133,723	\$ 118,866	\$ 14,857
Contractual service	285,000	361,857	148,407	213,450
Materials and supplies	100,500	167,086	103,387	63,699
Travel and communications	64,600	64,600	65,837	(1,237)
Utilities	-	1,000	1,072	(72)
Capital outlays	38,500	66,450	15,456	50,994
Total Office of Information Technology	692,285	794,716	453,025	341,691
Office of Tourism				
Personal service	-	119,549	105,827	13,722
Contractual service	225,000	264,356	39,915	224,441
Materials and supplies	39,915	41,475	1,879	39,596
Travel and communications	-	1,590	1,589	1
Dues and memberships	-	250	-	250
Cultural Activities	9,500	12,000	9,500	2,500
Capital outlays	-	17,950	17,950	-
Total Office of Tourism	274,415	457,170	176,660	280,510
Board of Elections				
Contractual service	13,000	14,460	14,458	2
Total Executive	2,177,300	2,884,492	1,855,698	1,028,794
Legal				
Town Attorney				
Personal service	343,805	378,549	383,381	(4,832)
Contractual service	50,000	291,794	77,178	214,616
Materials and supplies	3,600	4,100	3,046	1,054
Travel and communications	4,600	4,100	2,194	1,906
Dues and memberships	1,000	1,000	370	630
Total Legal	403,005	679,543	466,169	213,374
Finance				
Finance Department				
Personal service	789,145	779,115	721,837	57,278
Contractual service	1,600	11,045	10,533	512
Materials and supplies	112,125	111,275	120,857	(9,582)
Travel and communications	3,035	4,935	4,484	451
Dues and memberships	1,170	870	1,042	(172)
Capital outlays	-	-	-	-
Total Finance Department	907,075	907,240	858,753	48,487
Total General Government	3,654,780	4,641,312	3,337,407	1,303,905

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Planning, Zoning and Community Development				
Planning and Zoning				
Personal service	\$ 354,165	\$ 409,439	\$ 398,813	\$ 10,626
Contractual service	20,545	446,045	105,522	340,523
Materials and supplies	4,550	15,865	14,460	1,405
Travel and communications	3,700	6,700	4,477	2,223
Dues and memberships	1,200	1,200	160	1,040
Capital outlays	5,000	15,640	8,720	6,920
Total Planning and Zoning	389,160	894,889	532,152	362,737
Economic Development				
Personal service	-	9,035	7,320	1,715
Contractual service	9,365	270	270	-
Materials and supplies	-	37,500	-	37,500
Travel and communications	-	600	2,459	(1,859)
Town EDA	100,000	89,760	-	89,760
Contributions to other entities	-	9,700	9,700	-
Total Economic Development	109,365	146,865	19,749	127,116
Boards and Commissions				
Personal service	14,510	11,735	8,778	2,957
Contractual service	750	850	1,020	(170)
Materials and supplies	2,750	2,750	2,828	(78)
Travel and communications	2,500	4,500	3,394	1,106
Joint operations	15,750	16,510	16,500	10
Total Boards and Commissions	36,260	36,345	32,520	3,825
Total Planning, Zoning and Community Development	534,785	1,078,099	584,421	493,678
Police				
Police Department				
Personal service	4,788,780	4,894,520	4,552,797	341,723
Contractual service	37,690	33,290	36,135	(2,845)
Materials and supplies	198,145	213,831	221,377	(7,546)
Travel and communications	71,000	90,457	77,248	13,209
Dues and memberships	3,500	3,500	2,538	962
Joint operations	24,400	24,900	24,928	(28)
Capital outlays	103,685	300,510	229,445	71,065
Total Police Department	5,227,200	5,561,008	5,144,468	416,540
Engineering and Public Works				
Engineering				
Contractual service	30,000	54,120	46,835	7,285
Capital outlays	-	-	-	-
Total Engineering	30,000	54,120	46,835	7,285

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Streets and Sidewalks				
Personal service	\$ 999,555	\$ 1,042,953	\$ 914,714	\$ 128,239
Contractual service	1,000	31,900	4,833	27,067
Materials and supplies	485,900	333,998	391,128	(57,130)
Travel and communications	8,300	10,750	12,185	(1,435)
Utilities	20,000	18,800	17,973	827
Dues and memberships	400	235	235	-
Capital outlays	1,173,425	4,300,598	1,107,540	3,193,058
Total Streets and Sidewalks	<u>2,688,580</u>	<u>5,739,234</u>	<u>2,448,608</u>	<u>3,290,626</u>
General Properties				
Personal service	153,455	173,692	151,811	21,881
Contractual service	37,500	29,277	18,346	10,931
Materials and supplies	41,100	52,900	51,976	924
Travel and communications	1,375	1,375	1,442	(67)
Utilities	125,000	127,500	142,105	(14,605)
Capital outlays	-	10,000	10,000	-
Total General Properties	<u>358,430</u>	<u>394,744</u>	<u>375,680</u>	<u>19,064</u>
Horticulture				
Personal service	210,840	227,571	212,555	15,016
Contractual service	43,000	81,844	33,050	48,794
Materials and supplies	32,100	57,850	37,440	20,410
Travel and communications	1,700	1,700	699	1,001
Utilities	300	300	243	57
Dues and memberships	-	-	-	-
Capital outlays	16,000	-	-	-
Total Horticulture	<u>303,940</u>	<u>369,265</u>	<u>283,987</u>	<u>85,278</u>
Total Engineering and Public Works	<u>3,380,950</u>	<u>6,557,363</u>	<u>3,155,110</u>	<u>3,402,253</u>
Nondepartmental				
Fringe benefits	261,800	222,285	218,785	3,500
Insurance	331,000	337,983	337,980	3
Debt service				
Principal	-	-	74,349	(74,349)
Interest	-	-	17,615	(17,615)
Reserve for contingencies	-	326,547	-	326,547
Total Nondepartmental	<u>592,800</u>	<u>886,815</u>	<u>648,729</u>	<u>238,086</u>
Subtotal	<u>13,390,515</u>	<u>18,724,597</u>	<u>12,870,135</u>	<u>5,854,462</u>
Transfers to Other Funds				
Economic Development Fund	-	-	-	-
Proprietary funds	-	169,637	2,221,725	(2,052,088)
Total Transfers	<u>-</u>	<u>169,637</u>	<u>2,221,725</u>	<u>(2,052,088)</u>
Total General Fund Expenditures	<u>\$ 13,390,515</u>	<u>\$ 18,894,234</u>	<u>\$ 15,091,860</u>	<u>\$ 3,802,374</u>

TOWN OF FRONT ROYAL, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Asset Forfeitures	Economic Development	Debt Service	Community/ Neighborhood	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 76,871	\$ -	\$ 123,225	\$ 1,450,699	\$ 1,650,795
Interfund advances	-	4,500	-	-	4,500
Total Assets	<u>\$ 76,871</u>	<u>\$ 4,500</u>	<u>\$ 123,225</u>	<u>\$ 1,450,699</u>	<u>\$ 1,655,295</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	26,956	-	-	-	26,956
Community development	-	-	-	1,353,668	1,353,668
Assigned for capital projects	-	-	-	-	-
Unassigned	-	(494,822)	123,225	-	(371,597)
Total Fund Balances	<u>26,956</u>	<u>(494,822)</u>	<u>123,225</u>	<u>1,353,668</u>	<u>1,009,027</u>
Total Liabilities and Fund Balances	<u>\$ 76,871</u>	<u>\$ 4,500</u>	<u>\$ 123,225</u>	<u>\$ 1,450,699</u>	<u>\$ 1,655,295</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, 2022

	Asset Forfeitures	Economic Development	Debt Service	Community/ Neighborhood	Nonmajor Governmental Funds
Revenues					
Real estate taxes	\$ -	\$ -	\$ 369,675	\$ 153,365	\$ 523,040
Asset forfeitures	6,209	-	-	-	6,209
Intergovernmental	-	-	-	84,900	84,900
Total revenues	<u>6,209</u>	<u>-</u>	<u>369,675</u>	<u>238,265</u>	<u>614,149</u>
Expenditures					
Current					
Contractual service	-	-	-	5,317	5,317
Capital outlays	-	-	-	121,900	121,900
Debt Service:					
Principal	-	-	210,780	-	210,780
Interest	-	-	158,895	-	158,895
Total expenditures	<u>-</u>	<u>-</u>	<u>369,675</u>	<u>127,217</u>	<u>496,892</u>
Excess of revenues over expenditures	6,209	-	-	111,048	117,257
Other Financing Uses					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,209	-	-	111,048	117,257
Fund balances - beginning	20,747	(494,822)	123,225	1,242,620	891,770
Fund balances - ending	<u>\$ 26,956</u>	<u>\$ (494,822)</u>	<u>\$ 123,225</u>	<u>\$ 1,353,668</u>	<u>\$ 1,009,027</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, 2022

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Asset forfeitures	\$ 12,000	\$ 6,209	\$ (5,791)
Expenditures			
Contract services	-	-	-
Capital outlays	12,000	-	12,000
	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Excess of revenues over expenditures	-	6,209	6,209
Fund balances - beginning	<u>20,747</u>	<u>20,747</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 20,747</u></u>	<u><u>\$ 26,956</u></u>	<u><u>\$ 6,209</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, 2022

	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	(494,822)	(494,822)	-
Fund balances - ending	\$ (534,822)	\$ (494,822)	\$ 40,000

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, 2022

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ 369,675	\$ 369,675	\$ -
Total Revenues	369,675	369,675	-
Expenditures			
Debt Service:			
Principal	210,780	210,780	-
Interest	158,895	158,895	-
Total Expenditures	369,675	369,675	-
Excess of revenues over expenditures	-	-	-
Other Financing Uses			
Transfers in	-	-	-
Transfers out	-	-	-
Bond proceeds	-	-	-
	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning	123,225	123,225	-
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, 2022**

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ 153,365	\$ 153,365	\$ -
CDBG grant	-	84,900	84,900
Total Revenues	153,365	238,265	84,900
Expenditures			
Contractual services	840,472	5,317	835,155
Capital outlays	393,436	121,900	271,536
Total Expenditures	1,233,908	127,217	1,106,691
Excess of revenues over expenditures	(1,080,543)	111,048	(1,191,591)
Other Financing Uses			
Transfers in	-	-	-
Transfers out	-	-	-
	-	-	-
Net change in fund balances	(1,080,543)	111,048	(1,191,591)
Fund balances - beginning	1,242,620	1,242,620	-
Fund balances - ending	\$ 162,077	\$ 1,353,668	\$ 1,191,591

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF DIRECTOR OF FINANCE'S ACCOUNTABILITY
JUNE 30, 2022

Assets held by the Director of Finance

Cash on hand		\$	2,180
Cash in banks			
Atlantic Union Bank - checking			(232,509)
Certificates of deposit			
Truist Bank	\$	350,000	
Atlantic Union Bank		2,270,082	
City National Bank		24,850	
			2,644,932
Virginia Local Government Investment Pool			3,151,648
Atlantic Union Bank - banking sweep account			18,908,852
Atlantic Union Bank - fixed income securities			1,607,129
Atlantic Union Bank - fixed income securities			30,985,101
Total Assets		\$	<u><u>57,067,333</u></u>

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF DIRECTOR OF FINANCE'S ACCOUNTABILITY TO THE TOWN
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Funds			2022 Totals	2021 Totals
	General	Non Major	Proprietary Funds	(Memorandum Only)	(Memorandum Only)
Balance July 1, 2021	\$ 25,627,718	\$ 1,034,216	\$ 28,896,597	\$ 55,558,531	\$ 45,899,788
Receipts (net)					
Proceed on bond debt issued	-	-	-	-	8,483,001
Proceeds on loans issued	-	-	-	-	-
Interfund advances/receipts	-	-	150,000	150,000	150,000
General property taxes	1,752,706	523,040	-	2,275,746	2,261,835
Other local taxes	5,879,646	-	-	5,879,646	5,136,624
Permits, fees and licenses	32,485	-	-	32,485	30,669
Fines and forfeitures	128,665	-	-	128,665	154,521
Revenues from use of money and property	(211,836)	-	(602,172)	(814,008)	235,127
Charges for services	(10,354)	-	32,768,907	32,758,553	32,554,298
Grants	-	-	141,419	141,419	152,293
Miscellaneous	43,147	84,900	-	128,047	668,343
Recovered costs	-	6,209	-	6,209	6,556
Payment in lieu of taxes	780,924	-	-	780,924	805,142
Intergovernmental	3,193,086	-	-	3,193,086	13,494,342
Insurance recoveries	33,129	-	-	33,129	-
Sale of real estate	-	-	-	-	8,207
Total Receipts	11,621,598	614,149	32,458,154	44,693,901	64,140,958
Total Available	37,249,316	1,648,365	61,354,751	100,252,432	110,040,746
Disbursements (net)					
Warrants (checks) issued	12,442,760	127,217	27,024,042	39,594,019	42,722,757
Retirement of indebtedness	74,349	210,780	2,719,265	3,004,394	11,176,840
Interfund advance payments	150,000	-	-	150,000	150,000
Interest on debt costs	17,615	158,895	260,176	436,686	432,618
Total Disbursements	12,684,724	496,892	30,003,483	43,185,099	54,482,215
Transfers in	3,193,192	-	-	3,193,192	3,544,756
Transfers (out)	(2,221,725)	-	(971,467)	(3,193,192)	(3,544,756)
Total Transfers In (Out)	971,467	-	(971,467)	-	-
Balance June 30, 2022	\$ 25,536,059	\$ 1,151,473	\$ 30,379,801	\$ 57,067,333	\$ 55,558,531

**TOWN OF FRONT ROYAL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2022**

Taxable assessed value of real property	<u>\$ 1,432,241,800</u>
Debt limit (10 percent of assessed value)	\$ 143,224,180
Amount of debt applicable to debt limit	
Police facility loan	8,185,792
Equipment note payable obligation	<u>502,834</u>
	<u>8,688,626</u>
Legal debt margin	<u>\$ 134,535,554</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 Annual Comprehensive 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>	106
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	112
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>	116
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>	121
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>	123

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net investment in										
capital assets	\$ 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	\$ 38,432,104
Restricted	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	13,495,322
Unrestricted	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	6,548,607
Total Governmental										
Activities Net Position	\$ 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	\$ 58,476,033
Business-type Activities										
Net investment in										
capital assets	\$ 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	\$ 65,022,977
Unrestricted	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	29,558,966
Total Business-type										
Activities Net Position	\$ 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	\$ 94,581,943
Primary Government										
Net investment in										
capital assets	\$ 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	\$ 103,455,081
Restricted	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	13,495,322
Unrestricted	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	36,107,573
Total Primary										
Government Net Position	\$ 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	\$ 153,057,976

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

Expenses	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
General government and administration	\$ 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	\$ 3,461,743
Public safety	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	5,234,058
Public works	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	2,334,275
Planning, zoning, and community development	617,998	720,592	700,053	1,077,032	1,246,737	1,078,310	936,586	959,043	1,959,984	617,511
Culture and recreation	53,548	22,344	-	-	-	-	-	-	-	-
Interest on long term debt	4,345	-	-	-	-	-	10,965	25,337	144,456	176,510
Infrastructure depreciation	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	4,085,813
Total Governmental Activities Expenses	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	15,909,910
Business-Type Activities:										
Electric	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	17,301,690
Water	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	3,384,680
Sewer	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	4,884,514
Refuse	924,107	929,685	842,450	864,785	837,128	898,003	882,729	895,285	889,894	1,091,676
Total Business-Type Activities Expenses	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	26,662,560
Total Primary Government Expenses	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	42,572,470
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	146,989	142,191	168,283	101,895	82,552	76,402	55,704	24,889	68,889	32,793
Public safety	196,412	357,460	179,726	188,653	167,355	247,586	298,212	171,240	161,077	134,874
Public works	1,458	3,848	817	3,248	-	-	-	-	-	-
Planning, zoning, and community development	25,921	26,251	25,410	30,739	29,534	40,747	31,695	43,230	30,669	32,485
Operating grants and contributions	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	2,598,163
Capital grants and contributions	10,249	32,554	29,357	5,315,112	7,760,114	1,296,492	283,281	99,175	154,738	178,370
Total Governmental Program Revenues	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	2,976,685
Business-Type Activities:										
Charges for services:										
Electric	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	20,476,849
Water	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	4,767,823
Sewer	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	6,137,710
Refuse	887,694	994,255	984,191	1,004,293	1,099,451	1,125,850	1,094,132	1,109,694	1,099,514	1,139,065
Capital grants and contributions	31,851,073	-	474,457	5,381,345	4,358,919	1,841,670	262,563	138,904	152,293	141,419
Total Business-Type Program Revenues	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	32,662,866
Total Primary Government Program Revenues	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	35,639,551

(Continued)

TABLE II (CONTINUED)

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (Expense) Revenue										
Governmental Activities	\$ (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)	\$ (12,933,225)
Business-Type Activities	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	6,000,306
Total Primary Gov't Net Expense	(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	(6,932,919)
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Property taxes	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	2,594,239
Sales taxes	1,418,512	943,728	852,134	794,164	930,123	905,904	951,020	1,054,716	1,218,034	1,344,539
Business and occupational taxes	656,935	672,494	682,756	804,677	735,679	719,089	763,876	812,015	827,597	921,215
Franchise and bank stock taxes (*)	280,149	284,714	303,207	288,944	286,165	372,811	368,735	372,784	323,005	496,127
Communication taxes	162,826	169,927	170,799	165,738	160,990	157,125	145,928	140,543	128,982	121,782
Consumer taxes	221,576	164,137	222,783	181,034	225,029	183,832	232,517	227,433	225,195	236,869
Meals and lodging taxes	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	2,539,705
Virginia pers. prop. tax reduction	287,000	287,000	287,000	287,000	287,000	287,863	287,863	287,863	287,000	287,000
Payment in lieu of taxes	401,492	407,661	389,041	403,582	516,858	651,780	730,871	753,655	805,142	780,924
Vehicle licenses (*)	354,605	357,359	362,923	368,894	365,261	375,976	377,554	390,178	378,663	385,138
Other general taxes (*)	71,263	86,720	81,598	84,764	90,552	105,457	123,166	108,865	88,657	91,808
Unrestricted investment earnings	12,113	77,835	65,337	65,457	33,784	63,053	295,260	250,609	34,604	(211,836)
Gain on sale of capital assets and other recoveries	-	-	-	-	-	240,464	19,327	2,668	8,207	33,129
Transfers	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	971,467
Total Governmental Activities	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	10,592,106
Business-Type Activities:										
Unrestricted investment earnings	(32,882)	174,807	119,434	194,315	62,459	144,313	873,411	680,561	90,556	(715,139)
Asset sales and insurance recoveries	-	-	-	-	265,348	-	132,157	-	-	-
Transfers	(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)	(971,467)
Total Business-Type Activities	(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)	(1,686,606)
Total Primary Government	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	8,905,500
Change in Net Position										
Governmental Activities	(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	(2,341,119)
Business-Type Activities	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	4,313,700
Total Primary Government	\$ 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	\$ 1,972,581

* 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
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
2022	2,594,239	1,344,539	921,215	617,909	236,869	2,539,705	287,000	780,924	385,138	91,808	9,799,346

* 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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 196,260	\$ 207,823	\$ 241,290	\$ 141,487	\$ 117,862	\$ 94,008	\$ 67,677	\$ 534,395	\$ 37,296	\$ 18,144
Restricted	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	12,114,698
Assigned	-	-	1,250,000	-	-	2,306,399	1,873,841	1,984,545	3,375,175	7,199,741
Unassigned	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	5,867,423
Total General Fund	<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>	<u>\$ 25,200,006</u>
All Other Governmental Funds										
Restricted	\$ 674,189	\$ 930,278	\$ 1,028,276	\$ 932,115	\$ 752,087	\$ 909,305	\$ 987,813	\$ 1,015,194	\$ 1,263,367	\$ 1,380,624
Assigned - capital funds	388	388	388	388	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	(312,447)	(380,375)	(447,128)	(481,106)	(494,429)	(494,422)	(353,022)	(494,822)	(371,597)	(371,597)
Total all other governmental funds	<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>	<u>\$ 1,009,027</u>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES:										
Taxes:										
Property	\$ 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	\$ 2,296,219
Sales	1,418,512	943,728	852,134	794,164	930,123	905,904	951,020	1,054,716	1,218,034	1,344,539
Business and occupational	656,935	672,494	682,756	804,677	735,679	719,089	763,876	812,015	827,597	921,215
Franchise	87,213	67,191	60,797	74,743	48,750	51,205	49,029	121,306	72,012	74,057
Consumer	221,576	164,137	222,783	181,034	225,029	183,832	232,517	227,433	225,195	236,869
Vehicle licenses	354,605	357,359	362,923	368,894	365,261	375,976	377,554	390,178	378,663	385,138
Bank stock	192,936	217,523	242,410	214,201	237,415	321,606	319,706	251,478	250,993	422,070
Meals and lodging	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	2,539,705
Permits, fees, and licenses	25,921	26,251	25,410	30,739	29,534	40,747	31,695	43,230	30,669	32,485
Fines and forfeitures	179,666	157,767	172,406	160,047	160,643	238,207	290,829	161,939	154,521	128,665
Revenues from use of money and property	12,113	77,835	65,337	65,457	33,784	63,053	295,260	250,609	34,604	(211,836)
Charges for services	35,841	37,924	34,715	42,257	41,280	55,599	52,077	3,341	23,071	(10,354)
Miscellaneous	112,606	108,115	134,385	62,886	41,272	20,803	3,627	21,548	45,818	43,147
Recovered costs	16,746	199,693	7,320	28,606	6,712	9,379	7,383	9,301	6,556	6,209
Payment in lieu of taxes	401,492	407,661	389,041	403,582	516,858	651,780	730,871	753,655	805,142	780,924
Intergovernmental	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	3,277,123
Total Revenues	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	12,266,175
EXPENDITURES:										
General government										
Legislative	169,241	171,338	176,283	313,478	252,619	220,857	235,441	199,262	169,258	156,787
Executive	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	1,855,698
Legal	362,854	362,454	369,080	344,280	333,082	366,770	347,002	513,870	483,386	466,169
Finance	811,980	811,502	811,792	829,531	713,821	825,740	837,058	881,457	887,636	858,753
Public Safety										
Police	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	5,144,468
Planning, zoning, and community development	556,094	647,358	663,734	1,017,748	1,190,229	998,714	891,646	880,546	1,730,175	589,738
Engineering and public works	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	3,277,010
Parks and recreation	47,500	20,000	-	-	-	-	-	-	-	-
Nondepartmental	630,878	570,287	573,853	498,430	553,160	553,102	552,285	465,585	628,718	556,765
Debt Service										
Principal	93,043	-	-	-	-	-	44,858	69,917	8,492,576	285,129
Interest	4,345	-	-	-	-	-	14,454	25,337	144,456	176,510
Total Expenditures	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	13,367,027
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(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)	(1,100,852)
OTHER FINANCING SOURCES (USES):										
Transfers in	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	3,193,192
Transfers (out)	(159,511)	-	(28,490)	-	-	-	-	(672,980)	(680,900)	(2,221,725)
Loan proceeds	-	-	-	-	-	-	-	-	8,483,001	-
Other sources	-	-	-	-	-	542,375	569,327	2,668	8,207	33,129
Total Other Financing Sources (Uses)	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	1,004,596
NET CHANGE IN FUND BALANCES	\$ 1,224,029	\$ 1,092,598	\$ 1,188,722	\$ 933,305	\$ 475,958	\$ 1,574,882	\$ 794,464	\$ 1,481,912	\$ 11,175,245	\$ (96,256)
Debt service as a percentage of noncapital expenditures	1.05%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.78%	40.06%	3.85%

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
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
2022	1,415,636,500	16,605,300	1,432,241,800	1,432,241,800	0.130	155,351,680	21,838,290	7,932,035	185,122,005	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
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
2022	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 2013**

2022			2013		
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	\$ 17,665,400	1.32%	Boisseau Family, L.C.	\$ 20,391,600	1.78%
IVQ Front Royal Propco LLC	9,986,500	0.74%	Gateway Plaza Shopping Center	8,389,500	0.73%
Shenandoah Commons Apartments	8,427,900	0.63%	Shenandoah Square LP	8,124,600	0.71%
Gateway Plaza Shopping Center	7,794,200	0.58%	Ramsey, Inc.	8,079,500	0.71%
Royal Arms Associates	7,563,400	0.56%	HLI Endowment Inc	6,754,400	0.59%
HLI Endowment Inc	6,501,100	0.48%	Royal Arms Associates	5,442,500	0.48%
HWA Enterprises	6,239,200	0.46%	Corry Family Real Estate LLC	4,299,900	0.38%
F & R Limited Partnership	4,393,600	0.33%	Royal Hills Limited Partnership	4,256,100	0.00%
Fairfield Lynn Limited	4,314,500	0.32%	Fairfield Lynn Limited	3,071,600	0.32%
Corr Family Real Estate LLC	4,115,400	0.31%	CCC Enterprises Inc of VA	3,586,700	0.31%
Total	<u>\$ 77,001,200</u>	<u>5.73%</u>		<u>\$ 72,396,400</u>	<u>6.01%</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
2013	1,840,648	928,189	50.43%	907,813	1,836,002	99.75%
2014	2,084,048	1,042,874	50.04%	1,034,891	2,077,765	99.70%
2015	2,153,232	1,096,456	50.92%	1,049,933	2,146,389	99.68%
2016	2,119,854	1,067,015	50.33%	955,044	2,022,059	95.39%
2017	2,253,175	1,158,124	51.40%	981,097	2,139,221	94.94%
2018	2,342,677	1,243,129	53.06%	970,873	2,214,002	94.51%
2019	2,544,157	1,299,343	51.07%	1,080,524	2,379,867	93.54%
2020	2,482,110	1,161,873	46.81%	1,117,526	2,279,399	91.83%
2021	2,251,758	1,373,473	61.00%	595,472	1,968,945	87.44%
2022	2,554,803	1,106,225	43.30%	-	1,106,225	43.30%

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.

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					
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
2022	8,688,626	-	52,418	35,183,790	43,924,834	793,736	5.53%	15,214	2,887

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					
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
2022	-	35,183,790	35,183,790	1,617,364	2.18%	15,214	2,313

TOWN OF FRONT ROYAL, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2022

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Warren County	\$ 123,374,004		
Warren County School Board	7,339,000		
Subtotal, overlapping debt	<u>130,713,004</u>	49%	64,049,372
Town of Front Royal (direct debt)	<u>8,688,626</u>	100%	<u>8,688,626</u>
Total direct and overlapping debt			<u><u>\$ 72,737,998</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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 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	\$ 143,224,180
Net debt applicable to limit	10,750,000	12,835,000	13,955,241	-	-	3,224,745	9,125,347	9,055,429	8,973,755	8,688,626
Legal debt margin	\$ 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	\$ 134,535,554
Net debt applicable to the limit as a percent of debt limit	9%	11%	12%	0%	0%	3%	7%	7%	7%	6%

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
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
2022	31,806,308	22,472,326	9,333,982	2,719,265	260,176	2,979,441	3.13

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
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%
2022	15,214	793,736	51,675	27,142	38	12	5,161	3.5%

*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 2013**

2022			2013		
Employer	Employees	% of Total	Employer	Employees	% of Total
Warren County School Board	750-1000	13%	Warren County School Board	1,000	13%
Valley Health System	500-750	10%	Warren County Hospital	830	11%
Warren County	500-600	6%	Family Dollar Stores Distribution Center	530	7%
Walmart	300-450	6%	E.I. Dupont De Nemours & Co.	500	6%
Ferguson Enterprises, Inc.	300-600	3%	Ferguson Enterprises, Inc.	435	6%
Interbake Foods, LLC	100-350	5%	Walmart	400	5%
Family Dollar Services	300-600	5%	Sysco Baugh Northeast Cooperative, Inc.	350	5%
Sysco	300-450	4%	Interbake Foods, LLC	280	4%
Axalta	300-600	3%	Warren County	200	3%
Christiandom College	250-499	2%	Toray Plastics America Inc.	140	2%

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government	37	37	38	38	38	39	44	44	40	41
Police Protection	48	49	49	51	52	53	52	52	52	53
Highway - Streets	17	16	16	16	16	15	15	15	15	15
Sanitation	15	14	14	14	12	15	13	13	13	12
Water	15	15	18	18	18	18	17	18	17	16
Sewer	16	16	16	17	17	17	16	17	17	16
Electrical	15	15	15	17	17	17	17	17	17	16
	163	162	166	171	170	174	174	176	171	169

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

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Police										
Physical arrests	1,183	1,217	947	837	952	1,414	1,067	1,030	948	900
Parking violations	364	190	12	64	154	133	158	212	163	195
Traffic violations	1,808	1,676	2,632	2,239	2,394	3,922	3,854	2,547	2,354	1,674
Wastewater										
New service connections	14	8	30	52	80	75	45	31	54	31
Average daily treatment in gallons	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	5,300,000
Water System										
New connections	16	9	34	51	78	75	45	30	53	30
Average daily consumption	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	1,848,000
Electric Distribution										
New Connections	20	20	27	26	23	26	26	28	38	20
Average daily KWH consumption	528,398	516,708	517,114	523,681	535,984	568,064	554,085	511,463	520,665	525,872
Sanitation										
Refuse collected (tons/day)	22	23	24	24	46	56	42	22	25	23
Recyclables collected (tons/day)	1.46	1.61	1.62	1.73	1.73	1.65	1.82	2.36	1.29	140.00
Highway and Streets										
Repair services	398	253	151	176	272	226	252	217	135	127
Street resurfacing (miles)	1.20	15.61	5.00	3.00	1.40	1.03	1.30	0.91	0.00	1.68

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

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Police										
Stations	2	2	2	2	2	2	1	1	1	1
Patrol Units	12	20	26	25	26	26	38	38	27	24
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	133	138	132	132	132	137	137	138	138	144
Streetlights	1,450	1,470	1,505	1,871	1,969	1,975	1,977	1,976	1,978	1,981
Traffic signals	14	14	14	14	16	16	15	16	16	16
Culture and Recreation										
Community centers	1	1	2	2	2	2	2	2	2	2
Parks	12	12	20	20	23	23	23	20	20	20
Park acreage	125	125	400	400	400	400	400	400	400	400
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	6	6	6	6	6	6	6	6
Sewer System										
Sanitary sewers (miles)	198	198	198	198	124	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	5,000,000	6,520,000	5,300,000	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	687	712	712	722	724	737	739
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)	143	143	143	145	151	152	152	159	159	159
Distribution stations	4	4	5	5	5	5	5	5	5	5
Sanitation										
Collection Trucks	5	5	8	8	8	8	6	6	5	5

COMPLIANCE SECTION

TOWN OF FRONT ROYAL, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022

Grant Information	Federal CFDA Number	Federal Expenditures
U.S. Department of Treasury		
Pass-through Program:		
Commonwealth of Virginia		
COVID-19 Coronavirus Relief Fund	21.019	<u>\$ 2,019,865</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") is prepared on the modified accrual basis of accounting as contemplated by accounting principals generally accepted in the United States of America.

Note 2. De Minimis Indirect Cost Rate

The Town has elected to not use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 3. Outstanding Loan Balances

At June 30, 2022, the Town has no outstanding loan balances requiring continuing disclosure.

MITCHELL, BURNS & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Honorable 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, the aggregate discretely presented component units, 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, 2022, 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 November 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Front Royal, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Front Royal, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Front Royal, Virginia'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

November 14, 2022
Leesburg, Virginia

Mitchell, Burns & Co., P.C.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Front Royal, Virginia’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Front Royal, Virginia’s major federal programs for the year ended June 30, 2022. the Town of Front Royal, Virginia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Front Royal, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Front Royal, Virginia’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Town of Front Royal, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Front Royal, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Leesburg, Virginia
November 14, 2022

Mitchell, Burns & Co., P.C.

TOWN OF FRONT ROYAL, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS **For The Year Ended June 30, 2022**

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

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Debt Provisions

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

TOWN OF FRONT ROYAL, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting

· Material weakness(es) identified:

___ yes ✓ no

· Significant deficiency(ies) identified:

___ yes ✓ no

Noncompliance material to financial statements noted:

___ yes ✓ no

Federal Awards:

Internal control over major programs

· Material weakness(es) identified:

___ yes ✓ no

· Significant deficiency(ies) identified:

___ yes ✓ no

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance section 510(a) of 2CFR.516(a):

___ yes ✓ no

Identification of major programs:

CFDA Number

Name of Federal Program Cluster

21.019

COVID-19 Coronavirus Relief Funds

Dollar threshold to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee:

___ yes ✓ no

Section II – Financial Statement Findings

There are no current year questioned costs or prior year findings requiring follow-up.

Section III – Federal Award Findings and Questioned Costs

There are no current year questioned costs or prior year findings requiring follow-up.