

# **TOWN OF FRONT ROYAL, VIRGINIA**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

For the year ended June 30, 2023

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 15,000.

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

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

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

# TOWN OF FRONT ROYAL, VIRGINIA

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# **INTRODUCTORY SECTION**



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

Joe Waltz  
Town Manager  
[jwaltz@frontroyalva.com](mailto:jwaltz@frontroyalva.com)

December 28, 2023

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

RE: FY 2022-23 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, 2023 that provides informative and relevant financial data about Town operations in FY2022-2023. 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 UHY LLP, 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, 2023, 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, UHY LLP, 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, 2023, 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 three (3) 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, Required Supplementary Information, and Other Supplementary Information.
- 3) Statistical Section includes information about trends in the Town's financial position, debt capacity, and other operating information.

## **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 1/2) square miles and has an estimated population of 15,263.

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, Chief of Police, and Planning & Zoning 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**

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 July 2023 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. The Redundant Waterline Project and I&I Abatement project were on-going during FY23 with completion anticipated during FY24.

An increase of approximately 2.5% was implemented for Town sewer utility services during July 2022 to help offset rising expenses. Electric, water, and solid waste rates remained the same as FY22.

### **Major Initiatives in FY23**

During FY23 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.
  - Sewer lining/rehabilitation- \$4,947,300 was awarded in November 2022 and the work is anticipated to be completed at the beginning by spring 2024
- Redundant Waterline a construction contract for \$18,294,904 was awarded in October 2022. This line is anticipated to be completed in the spring/early summer of 2024 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.
- Paving Projects – Paving projects and street reconstruction projects totaling approximately \$2 million were completed during FY23.
- 8<sup>th</sup> Street Bridge Rehabilitation Project-Approximately \$3 million has been approved for the VDOT revenue sharing program; final engineering is anticipated to be completed by January 2024, the Town anticipates soliciting construction procurement at the beginning of 2024.

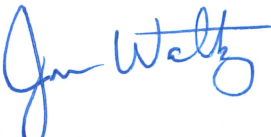


## Town Awards and Achievements

- 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 seventh (37) 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.
- 2022 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 2022 Gold Excellence Award for the seventh consecutive year.
- Reliable Public Power Provider- for achieving exceptional reliability in 2022 from American Public Power Association (APPA), a trade group that represents more than 2,000 not-for-profit community-owned electric utilities, recognized the Town Department of Energy Services for reliable electric services to the community.

## 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.



Joe Waltz  
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**

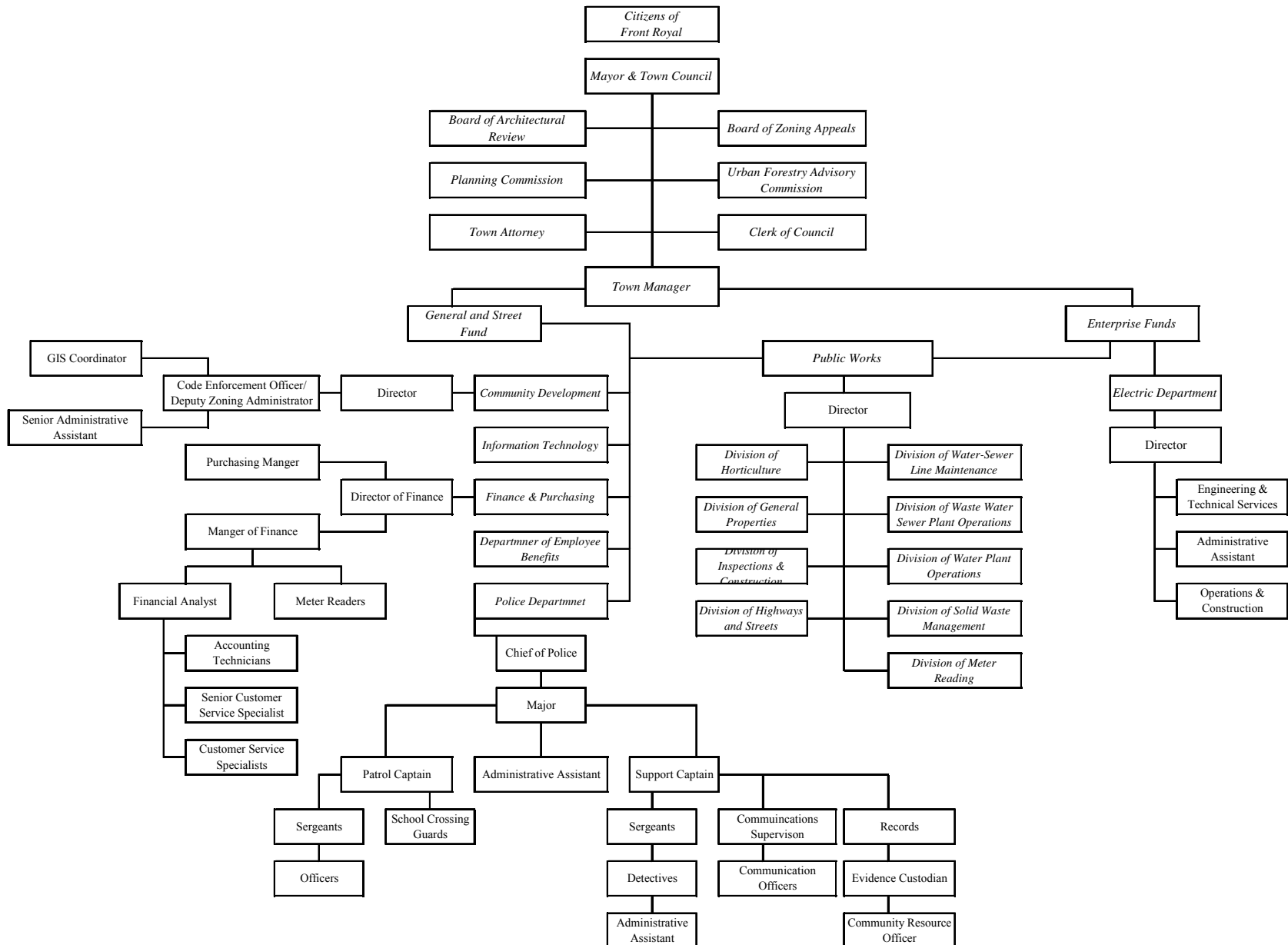
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

**TOWN OF FRONT ROYAL  
ORGANIZATIONAL CHART  
FISCAL YEAR ENDED JUNE 30, 2023**



**TOWN OF FRONT ROYAL, VIRGINIA**

**June 30, 2023**

**TOWN COUNCIL**

Lori Cockrell - Mayor  
R. Wayne Sealock - Vice Mayor  
Joshua Ingram  
Amber Morris  
Melissa DeDomenico-Payne  
H. Bruce Rappaport  
Duane "Skip" Rodgers

**TOWN OFFICIALS**

Town Manager	Joseph Waltz
Director of Planning & Community Development	Lauren Kopshke
Town Attorney	George Sonnett
Chief of Police	Kerry Magalis
Director of Public Works	Robert Boyer
Director of Human Resources	Laura McIntosh
Director of Finance	B.J. Wilson
Director of Information Technology	Charles Hutchings
Director of Energy Services	Carey Saffelle
Director of Fleet Management	Donald McPaters



# **FINANCIAL SECTION**

## **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 (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 Accountants 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 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.

#### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023, the Town adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 96 "*Subscription Based Information-Technology Agreements*".

As discussed in Note 18 to the financial statements, the Town recorded adjustments related to, cash, deferred revenue, lease receivables, the other post-employment benefit liability, deferred outflows, deferred inflows, accounts payable, and accrued expenses; for facts that existed at the time the previous financial statements were prepared.

Our opinion is not modified with respect to these matters.

## ***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'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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information ("RSI") 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information ("OSI"), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The OSI, as listed in the table of contents, is 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 OSI, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

The logo for UHY LLP is written in a stylized, cursive script. The letters 'UHY' are larger and more prominent, with 'LLP' in a smaller, similar script to the right.

Salisbury, Maryland  
December 28, 2023

## **TOWN OF FRONT ROYAL, VIRGINIA**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the year ended June 30, 2023**

As management of the Town of Front Royal, Virginia (the “Town”), 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, 2023. 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 in this report, as listed in the table of contents.

### **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 \$154,876,546. Of this amount, \$53,691,302 is unrestricted may be used to meet the Town’s ongoing obligations to its citizens and creditors.
- The Town’s total net position increased by \$8,348,435 for fiscal year ended June 30, 2023.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$24,101,778, an increase of \$3,794,657 in comparison with the prior year. Approximately 47% of this amount (\$11,414,033) is unassigned and available for spending at the government’s discretion. At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,908,855 or ~80% of total general fund expenditures.
- The Town’s total bonded debt decreased by \$258,880 (0.75%) during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town’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).

## **TOWN OF FRONT ROYAL, VIRGINIA**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the year ended June 30, 2023**

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

The government-wide financial statements can be found in this report, as listed in the table of contents.

**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, 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 maintains five 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 four 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 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 in this report, as listed in the table of contents.

## **TOWN OF FRONT ROYAL, VIRGINIA**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the year ended June 30, 2023**

**Proprietary funds.** The Town 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 in this report, as listed in the table of contents.

**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 in this report, as listed on the table of contents.

**Required Supplementary Information (RSI).** Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who, considered it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information can be found in this report, as listed in the table of contents.

**Other Supplementary Information (OSI).** The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

### **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, assets and deferred outflows exceeded liabilities and deferred inflows by \$154,876,546 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (63%) reflects its net 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 net 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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the year ended June 30, 2023**

The following table presents a summary of the Town's net position by type of activity as of June 30, 2023 and 2022.

**TOWN OF FRONT ROYAL - NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 27,440,480	\$ 23,916,049	\$ 49,783,062	\$ 42,076,992	\$ 77,223,542	\$ 65,993,041
Capital assets	44,775,747	47,120,730	103,428,569	99,982,140	148,204,316	147,102,870
Total assets	72,216,227	71,036,779	153,211,631	142,059,132	225,427,858	213,095,911
Deferred outflows of resources	1,547,689	1,883,580	807,556	971,985	2,355,245	2,855,565
Noncurrent liabilities	18,434,227	14,969,363	35,611,369	35,632,035	54,045,596	50,601,398
Other liabilities	873,998	1,263,181	14,599,426	10,671,920	15,473,424	11,935,101
Total liabilities	19,308,225	16,232,544	50,210,795	46,303,955	69,519,020	62,536,499
Deferred inflows of resources	2,328,589	4,521,468	1,058,948	2,365,398	3,387,537	6,886,866
Net investment in capital assets	26,341,520	38,432,104	71,283,598	65,022,977	97,625,118	103,455,081
Restricted	3,560,126	7,185,636	-	-	3,560,126	7,185,636
Unrestricted	22,225,456	6,548,607	31,465,846	29,338,787	53,691,302	35,887,394
Total net position	\$ 52,127,102	\$ 52,166,347	\$ 102,749,444	\$ 94,361,764	\$ 154,876,546	\$ 146,528,111

Net investment in capital assets and restricted net position (65%) represents resources that are in a nonspendable form. The remaining balance of \$53,691,302 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 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.

The Town's net position increased by \$8,348,435 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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the year ended June 30, 2023**

The following table summarizes changes in net position for governmental and business-type activities during the year.

TOWN OF FRONT ROYAL - CHANGES IN NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 227,363	\$ 200,152	\$ 32,401,753	\$ 32,529,963	\$ 32,629,116	\$ 32,730,115
Operating grants & contributions	635,946	2,598,163	-	-	635,946	2,598,163
Capital grants & contributions	2,466,785	178,370	3,826,052	141,419	6,292,837	319,789
General revenues						
Property taxes	2,462,050	2,594,239	-	-	2,462,050	2,594,239
Other taxes	7,523,202	7,205,107	-	-	7,523,202	7,205,107
Investment and other earnings	355,888	(178,707)	2,556,287	(715,139)	2,912,175	(893,846)
Total revenues	13,671,234	12,597,324	38,784,092	31,956,243	52,455,326	44,553,567
Expenses						
General government	4,332,364	3,638,253	-	-	4,332,364	3,638,253
Public safety	5,419,077	5,234,058	-	-	5,419,077	5,234,058
Planning, zoning, and community development	565,192	2,334,275	-	-	565,192	2,334,275
Public works and engineering	2,268,376	617,511	-	-	2,268,376	617,511
Interest	169,157	-	-	-	169,157	-
Infrastructure depreciation	4,085,813	4,085,813	-	-	4,085,813	4,085,813
Electric	-	-	17,501,154	17,301,690	17,501,154	17,301,690
Water	-	-	3,512,061	3,384,680	3,512,061	3,384,680
Sewer	-	-	5,388,660	4,884,514	5,388,660	4,884,514
Solid waste management	-	-	865,037	1,091,676	865,037	1,091,676
Total expenses	16,839,979	15,909,910	27,266,912	26,662,560	44,106,891	42,572,470
Increase (decrease) in net position						
before transfers	(3,168,745)	(3,312,586)	11,517,180	5,293,683	8,348,435	1,981,097
Transfers in (out)	3,129,500	971,467	(3,129,500)	(971,467)	-	-
Change in net position	(39,245)	(2,341,119)	8,387,680	4,322,216	8,348,435	1,981,097
Net position - beginning, as restated	52,166,347	54,507,466	94,361,764	90,039,548	146,528,111	144,547,014
Net position - ending	\$ 52,127,102	\$ 52,166,347	\$ 102,749,444	\$ 94,361,764	154,876,546	\$ 146,528,111

# **TOWN OF FRONT ROYAL, VIRGINIA**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the year ended June 30, 2023**

### Governmental Activities

- Revenue from the Town's governmental activities increased by \$1,073,910. The increase relates mostly to an increase in capital grant revenues related to street construction and maintenance.
- The cost of all governmental activities this year was \$16,839,979. For which, 15% was paid by property tax dollars. Expense from the governmental activities increased by \$930,069 related to the increased public works repairs and maintenance costs.
- The governmental activities ended the year with a decrease in net position of \$39,245.

### Business-type Activities

- Revenue from the Town's business-type activities increased by \$6,827,849. The increase relates mostly to an increase in capital grant revenues related to ARPA funds and increase in investment earnings.
- Expenses from the Town's business-type activities increased by \$604,352. The increase relates mostly to repairs made to the sewer system.
- The business-type activities ended the year with an increase in net position of \$8,387,680.

### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 itself, or group that has been delegated authority to assign resources for use for particular purposes by the Town Council.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$24,101,778 an increase of \$3,794,657 in comparison with the prior year. Approximately 47% of this total amount, \$11,414,033, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance represents funds in nonspendable form (\$15,899), assigned for future use (\$9,111,720), and restricted by third parties (\$3,560,126).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,908,855, while total fund balance reached \$22,813,361. 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 80% of total general fund expenditures, while total fund balance represents 153 percent of that same amount.

The fund balance of the Town's general fund increased by \$3,515,267 during the current fiscal year. The increase primarily relates to transfers in from other funds of \$5,514,912.

## **TOWN OF FRONT ROYAL, VIRGINIA**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the year ended June 30, 2023**

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

Net position of the electric, water, sewer, and solid waste management functions at the end of the year amounted to \$20,741,693, \$36,082,551, \$44,875,910, and \$1,049,290 respectively. The total increase in net position for all enterprise funds was \$8,387,680. 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**

There were some differences between the final amended budget and the actual amounts. Some points of interest:

- Revenues from the use of money & property exceeded budget by \$210,292 as a result of higher investment earnings than the Town anticipated.
- Budgeted miscellaneous revenues exceed actual miscellaneous revenue by \$1,925,001 due to the Town budgeting for appropriated funds carried forward.
- Budgeted intergovernmental revenues exceeded actual intergovernmental revenue by \$3,959,841 as the budget included the entire 2<sup>nd</sup> payment of ARPA funds received as revenue, while only part of the funds were actually used during the year.
- Budgeted expenditures exceeded actual expenditures by \$6,100,712.
  - The general government was under budget by \$1,058,650, mostly relating to capital projects being delayed.
  - The public works department was under budget by \$6,560,687, most relating to capital outlay projects being reported separately and conservative budget approach on bridge repairs and street reconstruction.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$148,204,316 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total increase in capital assets for the current fiscal year was approximately .75%. Major capital assets events during the current fiscal year included the following:

- Waterline construction project totaling \$4,149,834.
- Sewer I&I abatement and rehabilitation projects totaling \$1,663,842.
- Milling and paving projects costing \$2,014,092.



**TOWN OF FRONT ROYAL, VIRGINIA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the year ended June 30, 2023**

The table below summarizes the capital assets of the Town at June 30, 2023 and 2022:

TOWN OF FRONT ROYAL - CAPITAL ASSETS (NET OF DEPRECIATION)						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,304,316	\$ 1,304,316	\$ 1,461,822	\$ 1,461,822	\$ 2,766,138	\$ 2,766,138
Construction in progress	161,812	-	6,051,295	-	6,213,107	-
Buildings and improvements	20,725,559	18,981,453	74,166,278	76,034,297	94,891,837	95,015,750
Utility distribution systems	-	-	19,830,619	21,011,293	19,830,619	21,011,293
Vehicles	168,821	298,667	198,113	300,598	366,934	599,265
Equipment	583,737	678,995	1,720,442	1,174,130	2,304,179	1,853,125
Infrastructure	21,771,486	25,857,299	-	-	21,771,486	25,857,299
Right-of-use asset	60,016	-	-	-	60,016	-
Total	\$ 44,775,747	\$ 47,120,730	\$ 103,428,569	\$ 99,982,140	\$ 148,204,316	\$ 147,102,870

Additional information on the Town's capital assets can be found in this report, as listed in the table of contents.

**Long-term debt.** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$34,459,835. All of this amount comprises debt backed by the full faith and credit of the government. The Town issued bonds of \$2,450,000 in the current fiscal year backed by the Town's fleet maintenance building that is currently under construction.

TOWN OF FRONT ROYAL - OUTSTANDING DEBT (GENERAL OBLIGATION BONDS)						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 2,450,000	\$ -	\$ 32,009,835	\$ 34,718,715	\$ 34,459,835	\$ 34,718,715

The Town of Front Royal's total bonded debt decreased by \$258,880 (0.75%) during the current fiscal year. The majority of the debt is \$27,269,835 in general obligation bonds in the Sewer Fund. The reason for the issuance of the debt was for the wastewater treatment plant improvement.

The Town 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 DISCUSSION AND ANALYSIS

### For the year ended June 30, 2023

**Long-term notes debt.** At the end of the current fiscal year, the Town of Front Royal, Virginia had total notes payable outstanding of \$8,413,178. All of this amount comprises debt backed by collateral for which the notes were obtained to purchase.

#### TOWN OF FRONT ROYAL - OUTSTANDING DEBT (NOTES PAYABLE)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 8,396,144	\$ 8,688,626	\$ 17,034	\$ 52,418	\$ 8,413,178	\$ 8,741,044

The Town's total notes debt decreased during the current fiscal year. The majority of the debt is \$8,396,144 in general obligation notes. The reason for the decrease is the continuing principal paydowns on existing notes during the year.

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 \$181,540,592 which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in this report, as listed in the table of contents.

### Economic Factors and Next Year's Budgets and Rates

- Revenue received from meals tax is anticipated to increase approximately 14% moving into FY24 due to additional/expanding restaurants in the Town.
- Effective July 1, 2023, a 2.25% increase was implemented for sanitary sewer rates.
- A cost-of-service rate study will be performed in the near future for electric and solid waste rates with implementation anticipated for July 1, 2024.
- The Town anticipates that all ARPA funded projects will be completed by the end of FY24.

All of these factors were considered in preparing the Town of Front Royal, Virginia's budget for the 2023 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund was \$11,908,855. Town of Front Royal has not appropriated any of this amount for spending in the 2023 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**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 14,972,334	\$ 17,186,685	\$ 32,159,019
Investments	9,471,111	26,232,891	35,704,002
Taxes receivable	2,521,172	-	2,521,172
Accounts receivable, net	56,968	2,958,251	3,015,219
Lease receivable	-	279,620	279,620
Other receivables, net	-	248,985	248,985
Due from other governments	402,996	-	402,996
Inventories and other assets	15,899	2,070,592	2,086,491
Temporarily restricted assets - cash and cash equivalents			
Customer deposits	-	806,038	806,038
Capital assets:			
Nondepreciable assets	1,466,128	7,513,117	8,979,245
Depreciable and intangible assets, net	43,309,619	95,915,452	139,225,071
<b>Total assets</b>	<b>72,216,227</b>	<b>153,211,631</b>	<b>225,427,858</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charge on refunded debt	-	253,958	253,958
Pension benefits	1,046,345	453,507	1,499,852
Other post-employment benefits	501,344	100,091	601,435
<b>Total deferred outflow of resources</b>	<b>1,547,689</b>	<b>807,556</b>	<b>2,355,245</b>
<b>LIABILITIES:</b>			
Banking advances	494,822	-	494,822
Accounts payable and accrued expenses	379,176	3,656,200	4,035,376
Customer deposits payable	-	806,038	806,038
Deferred revenue - ARPA	-	10,137,188	10,137,188
Noncurrent liabilities			
Due within one year	854,158	3,005,314	3,859,472
Due in more than one year	17,580,069	32,606,056	50,186,125
<b>Total liabilities</b>	<b>19,308,225</b>	<b>50,210,795</b>	<b>69,519,020</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension benefits	1,269,218	445,841	1,715,059
Other post-employment benefits	1,059,371	346,065	1,405,436
Leases	-	267,042	267,042
<b>Total deferred inflows of resources</b>	<b>2,328,589</b>	<b>1,058,948</b>	<b>3,387,537</b>
<b>NET POSITION:</b>			
Net investment in capital assets	26,341,520	71,283,598	97,625,118
Restricted for:			
Streets and highways	1,776,887	-	1,776,887
Capital outlays	41,337	-	41,337
Community development	1,741,902	-	1,741,902
Unrestricted	22,225,456	31,465,846	53,691,302
<b>Total net position</b>	<b>\$ 52,127,102</b>	<b>\$ 102,749,444</b>	<b>\$ 154,876,546</b>

See accompanying notes

**TOWN OF FRONT ROYAL, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2023**

					Net (Expense) Revenue and Change in Net Position		
		Program Revenues			Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities							
General government	\$ 4,332,364	\$ 13,652	\$ 204,806	\$ -	\$ (4,113,906)	\$ -	\$ (4,113,906)
Public safety	5,419,077	160,141	413,721	-	(4,845,215)	-	(4,845,215)
Planning, zoning, and community development	565,192	53,570	17,419	-	(494,203)	-	(494,203)
Public works and engineering	2,268,376	-	-	2,466,785	198,409	-	198,409
Interest	169,157	-	-	-	(169,157)	-	(169,157)
Infrastructure depreciation	4,085,813	-	-	-	(4,085,813)	-	(4,085,813)
Total governmental activities	16,839,979	227,363	635,946	2,466,785	(13,509,885)	-	(13,509,885)
Business-type activities							
Electric	17,501,154	20,000,839	-	5,425	-	2,505,110	2,505,110
Water	3,512,061	4,955,860	-	3,118,400	-	4,562,199	4,562,199
Sewer	5,388,660	6,310,982	-	702,227	-	1,624,549	1,624,549
Solid waste management	865,037	1,134,072	-	-	-	269,035	269,035
Total business-type activities	27,266,912	32,401,753	-	3,826,052	-	8,960,893	8,960,893
Total primary government	44,106,891	32,629,116	635,946	6,292,837	(13,509,885)	8,960,893	(4,548,992)
General revenues:							
Property taxes					2,462,050	-	2,462,050
Sales taxes					1,379,166	-	1,379,166
Business and occupational taxes					965,682	-	965,682
Franchise and bank stock taxes					476,072	-	476,072
Consumer taxes					225,707	-	225,707
Communication taxes					118,864	-	118,864
Virginia personal property tax reduction					287,863	-	287,863
Vehicle taxes					383,230	-	383,230
Meals and lodging taxes					2,721,483	-	2,721,483
Other general taxes					105,064	-	105,064
Payment in lieu of taxes					860,071	-	860,071
Unrestricted investment earnings					274,442	539,441	813,883
Gain on sale of capital assets					-	179,415	179,415
Recovered costs					14,381	-	14,381
Miscellaneous					67,065	1,837,431	1,904,496
Net transfers in (out)					3,129,500	(3,129,500)	-
Total general revenues and transfers					13,470,640	(573,213)	12,897,427
Change in net position					(39,245)	8,387,680	8,348,435
Net position - beginning, as restated					52,166,347	94,361,764	146,528,111

See accompanying notes

**TOWN OF FRONT ROYAL, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 13,189,095	\$ 1,783,239	\$ 14,972,334
Investments	9,471,111	-	9,471,111
Taxes receivable	2,521,172	-	2,521,172
Accounts receivable, net	56,968	-	56,968
Due from other governments	402,996	-	402,996
Inventories and other assets	15,899	-	15,899
Total assets	\$ 25,657,241	\$ 1,783,239	\$ 27,440,480
<u>LIABILITIES AND FUND BALANCE:</u>			
Liabilities:			
Banking advances	\$ -	\$ 494,822	\$ 494,822
Accounts payable and accrued expenses	379,176	-	379,176
Total liabilities	379,176	494,822	873,998
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	2,464,704	-	2,464,704
Fund balances			
Nonspendable:			
Inventory	4,917	-	4,917
Prepaid items	10,982	-	10,982
Restricted for:			
Streets and highways	1,776,887	-	1,776,887
Capital outlays	-	41,337	41,337
Community development	-	1,741,902	1,741,902
Assigned for:			
Expenditures designated for future years	9,111,720	-	9,111,720
Unassigned	11,908,855	(494,822)	11,414,033
Total fund balance	22,813,361	1,288,417	24,101,778
Total liabilities, deferred inflows of resources and fund balance	\$ 25,657,241	\$ 1,783,239	\$ 27,440,480

See accompanying notes

**TOWN OF FRONT ROYAL, VIRGINIA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**June 30, 2023**

Total governmental fund balance	\$ 24,101,778
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Amounts reported for governmental activities in the statement of net position are different because:

Capital and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,775,747
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Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.	2,464,704
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Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds.

Compensated absences	(885,844)
Bonds payable	(2,450,000)
Notes payable	(8,396,144)
Subscription liability	(61,185)
Net pension liability	(3,627,219)
Deferred outflows of resources - pension	1,046,345
Deferred inflows of resources - pension	(1,269,218)
Other post-employment benefits ("OPEB") plans	(3,013,835)
Deferred outflows of resources - OPEB plans	501,344
Deferred inflows of resources - OPEB plans	(1,059,371)

<b>Net position of governmental activities</b>	<b>\$ 52,127,102</b>
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*See accompanying notes*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2023**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes			
Property taxes	\$ 1,602,604	\$ 740,489	\$ 2,343,093
Sales taxes	1,379,166	-	1,379,166
Business and occupational taxes	965,682	-	965,682
Franchise taxes	56,885	-	56,885
Consumer taxes	225,707	-	225,707
Communication taxes	118,864	-	118,864
Virginia personal property tax reduction	287,863	-	287,863
Vehicle taxes	383,230	-	383,230
Bank stock taxes	419,187	-	419,187
Meals and lodging taxes	2,721,483	-	2,721,483
Other general taxes	105,064	-	105,064
Payment in lieu of taxes	860,071	-	860,071
Permits, fees, and licenses	53,570	-	53,570
Fines and forfeitures	160,141	-	160,141
Unrestricted investment earnings	274,442	-	274,442
Charges for services	13,652	-	13,652
Miscellaneous	67,065	-	67,065
Recovered costs	-	14,381	14,381
Intergovernmental	3,085,312	17,419	3,102,731
<b>Total revenues</b>	<b>12,779,988</b>	<b>772,289</b>	<b>13,552,277</b>
Expenditures:			
General government:			
Legislative	184,451	-	184,451
Executive	2,238,813	-	2,238,813
Legal	330,148	-	330,148
Finance	910,277	-	910,277
Public safety	5,276,445	-	5,276,445
Planning, zoning, and community development	652,808	-	652,808
Public works and engineering	1,770,785	187,813	1,958,598
Nondepartmental	726,638	-	726,638
Capital outlay	2,687,327	-	2,687,327
Debt Service:			
Principal	76,672	215,810	292,482
Interest	15,293	153,864	169,157
<b>Total expenditures</b>	<b>14,869,657</b>	<b>557,487</b>	<b>15,427,144</b>
Excess (deficiency) of revenues over expenditures	(2,089,669)	214,802	(1,874,867)
Other financing sources (uses)			
Transfers in	5,514,912	-	5,514,912
Transfers out	-	(2,385,412)	(2,385,412)
Bond proceeds	-	2,450,000	2,450,000
Subscription-based IT arrangements	90,024	-	90,024
<b>Total other financing sources (uses)</b>	<b>5,604,936</b>	<b>64,588</b>	<b>5,669,524</b>
<b>Net change in fund balances</b>	<b>3,515,267</b>	<b>279,390</b>	<b>3,794,657</b>
<b>Fund balances - beginning, as restated</b>	<b>19,298,094</b>	<b>1,009,027</b>	<b>20,307,121</b>
<b>Fund balances - ending</b>	<b>\$ 22,813,361</b>	<b>\$ 1,288,417</b>	<b>\$ 24,101,778</b>

See accompanying notes

**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, 2023**

Net change in fund balance - Governmental funds	\$ 3,794,657
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Amounts reported for governmental activities in the statement of net position  
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities,  
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

The differences are as follows:

Current year additions of capital assets	2,687,326
Current year disposals of capital assets	-
Depreciation expenses recorded on Statement of Activities	(5,032,309)

Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.	118,957
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Certain expenses reported in the statement of activities do not require the use of current  
financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in:

Compensated absences	(8,407)
Bonds payable	(2,450,000)
Notes payable	292,482
Subscription liability	(61,185)
Net pension liability	(1,272,088)
Deferred outflows of resources - pension	(344,885)
Deferred inflows of resources - pension	2,151,158
Other post-employment benefits ("OPEB") plans	34,334
Deferred outflows of resources - OPEB plans	8,990
Deferred inflows of resources - OPEB plans	41,725

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Change in net position of governmental activities	\$ (39,245)
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*See accompanying notes*



**TOWN OF FRONT ROYAL, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Total
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 70,663	\$ 8,975,272	\$ 6,808,240	\$ 1,332,510	\$ 17,186,685
Investments	7,285,811	9,475,969	9,471,111	-	26,232,891
Accounts receivable, net	1,593,090	586,544	659,545	119,072	2,958,251
Lease receivable	-	279,620	-	-	279,620
Other receivables, net	231,610	1,400	15,975	-	248,985
Inventories	1,469,722	300,435	300,435	-	2,070,592
Total current assets	10,650,896	19,619,240	17,255,306	1,451,582	48,977,024
Noncurrent assets:					
Restricted cash and cash equivalents					
Customer deposits	734,410	71,628	-	-	806,038
Capital assets, net	12,640,235	30,629,349	60,047,074	111,911	103,428,569
Total noncurrent assets	13,374,645	30,700,977	60,047,074	111,911	104,234,607
Total assets	24,025,541	50,320,217	77,302,380	1,563,493	153,211,631
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred charge on refunded debt	-	253,958	-	-	253,958
Pension benefits	163,683	131,209	89,593	69,022	453,507
Other post-employment benefits	35,155	20,913	29,259	14,764	100,091
Total deferred outflow of resources	198,838	406,080	118,852	83,786	807,556
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable and accrued expenses	1,295,874	1,361,770	985,835	12,721	3,656,200
Compensated absences - current	58,968	37,055	37,055	18,307	151,385
General obligation bonds - current	-	868,015	1,968,880	-	2,836,895
Loan payable - current	-	-	-	17,034	17,034
Total current liabilities	1,354,842	2,266,840	2,991,770	48,062	6,661,514
Noncurrent liabilities:					
Customer deposits payable	734,410	71,628	-	-	806,038
Deferred revenue - ARPA	-	6,807,190	3,329,998	-	10,137,188
Compensated absences	58,968	37,055	37,055	18,307	151,385
General obligation bonds payable	-	4,244,046	25,300,954	-	29,545,000
Net pension liability	620,728	431,193	424,966	248,447	1,725,334
Other post-employment benefits	417,394	244,907	347,714	174,322	1,184,337
Total noncurrent liabilities	1,831,500	11,836,019	29,440,687	441,076	43,549,282
Total liabilities	3,186,342	14,102,859	32,432,457	489,137	50,210,795
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension benefits	174,474	202,125	11,357	57,885	445,841
Other post-employment benefits	121,870	71,720	101,508	50,967	346,065
Leases	-	267,042	-	-	267,042
Total deferred inflows of resources	296,344	540,887	112,865	108,852	1,058,948
<b>NET POSITION:</b>					
Net investment in capital assets	12,640,235	25,771,246	32,777,240	94,877	71,283,598
Unrestricted	8,101,458	10,311,305	12,098,670	954,413	31,465,846
Total net position	\$ 20,741,693	\$ 36,082,551	\$ 44,875,910	\$ 1,049,290	\$ 102,749,444

See accompanying notes

**TOWN OF FRONT ROYAL, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Total
Operating revenues:					
Charges for sales and services					
Electric sales	\$ 19,572,118	\$ -	\$ -	\$ -	\$ 19,572,118
Water and sewer sales	-	4,761,850	6,092,664	-	10,854,514
Installation and connection charges	428,721	88,978	218,318	-	736,017
Refuse service fees	-	-	-	1,134,072	1,134,072
Other	87,431	1,750,000	-	-	1,837,431
<b>Total operating revenues</b>	<b>20,088,270</b>	<b>6,600,828</b>	<b>6,310,982</b>	<b>1,134,072</b>	<b>34,134,152</b>
Operating expenses:					
Personal service	1,312,562	1,116,607	806,150	601,183	3,836,502
Contractual service	178,933	466,790	384,510	-	1,030,233
Electric power	14,399,604	-	-	-	14,399,604
Depreciation	782,427	1,145,133	2,276,093	42,894	4,246,547
Other charges	827,628	783,531	1,921,907	220,960	3,754,026
<b>Total operating expenses</b>	<b>17,501,154</b>	<b>3,512,061</b>	<b>5,388,660</b>	<b>865,037</b>	<b>27,266,912</b>
<b>Operating income</b>	<b>2,587,116</b>	<b>3,088,767</b>	<b>922,322</b>	<b>269,035</b>	<b>6,867,240</b>
Nonoperating revenues (expenses):					
Gain (loss) on investments	(56,399)	(49,335)	(49,335)	-	(155,069)
Interest income (expense)	223,764	113,934	255,028	101,784	694,510
Capital grants	5,425	3,118,400	702,227	-	3,826,052
Gain on sale of capital assets	138,206	-	-	41,209	179,415
Lease income	-	105,032	-	-	105,032
<b>Total nonoperating revenues (expenses)</b>	<b>310,996</b>	<b>3,288,031</b>	<b>907,920</b>	<b>142,993</b>	<b>4,649,940</b>
<b>Transfers in (out)</b>	<b>(1,960,000)</b>	<b>(500,000)</b>	<b>(575,000)</b>	<b>(94,500)</b>	<b>(3,129,500)</b>
<b>Change in net position</b>	<b>938,112</b>	<b>5,876,798</b>	<b>1,255,242</b>	<b>317,528</b>	<b>8,387,680</b>
<b>Total net position - beginning, as restated</b>	<b>19,803,581</b>	<b>30,205,753</b>	<b>43,620,668</b>	<b>731,762</b>	<b>94,361,764</b>
<b>Total net position - end of year</b>	<b>\$ 20,741,693</b>	<b>\$ 36,082,551</b>	<b>\$ 44,875,910</b>	<b>\$ 1,049,290</b>	<b>\$ 102,749,444</b>

See accompanying notes

**TOWN OF FRONT ROYAL, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 19,990,606	\$ 6,585,163	\$ 6,181,284	\$ 1,127,444	\$ 33,884,497
Cash paid to suppliers	(15,433,011)	(909,712)	(2,215,145)	(224,790)	(18,782,658)
Cash paid to employees	(1,416,753)	(1,291,576)	(907,210)	(655,885)	(4,271,424)
Net cash provided by operating activities	3,140,842	4,383,875	3,058,929	246,769	10,830,415
Cash flows from noncapital financing activities:					
Transfers to other funds	(1,960,000)	(500,000)	(575,000)	(94,500)	(3,129,500)
Net cash used in noncapital financing activities	(1,960,000)	(500,000)	(575,000)	(94,500)	(3,129,500)
Cash flows from capital and related financing activities:					
Principal paid on capital debt	-	(809,928)	(1,968,880)	(35,384)	(2,814,192)
Proceeds from disposal of capital assets	138,206	-	-	41,209	179,415
Purchase of capital assets	(367,760)	(3,987,157)	(1,874,064)	-	(6,228,981)
Grants received	5,425	10,030,622	4,000,002	-	14,036,049
Interest paid	-	(154,491)	-	(1,707)	(156,198)
Net cash (used in) provided by capital and related financing activities	(224,129)	5,079,046	157,058	4,118	5,016,093
Cash flows from investing activities:					
Sales (purchases) of investments	(1,163,835)	(3,963,997)	(2,535,083)	-	(7,662,915)
Interest and dividends received	223,764	268,425	255,028	103,491	850,708
Net cash (used in) provided by investing activities	(940,071)	(3,695,572)	(2,280,055)	103,491	(6,812,207)
Net increase in cash and cash equivalents	16,642	5,267,349	360,932	259,878	5,904,801
Cash and cash equivalents, beginning of year	788,431	3,779,551	6,447,308	1,072,632	12,087,922
Cash and cash equivalents, end of year	\$ 805,073	\$ 9,046,900	\$ 6,808,240	\$ 1,332,510	\$ 17,992,723
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	2,587,116	3,088,767	922,322	269,035	6,867,240
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	782,427	1,145,133	2,276,093	42,894	4,246,547
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	49,872	(113,755)	(124,098)	(6,628)	(194,609)
Lease receivable	-	(4,062)	-	-	(4,062)
Other receivables	(164,178)	(1,400)	(5,600)	-	(171,178)
Inventories	6,833	45,531	45,531	-	97,895
Deferred pension	62,712	36,580	52,257	26,128	177,677
Deferred OPEB	(12,827)	(7,480)	(10,685)	(5,343)	(36,335)
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued expenses	(33,679)	295,078	45,741	(3,830)	303,310
Compensated absences	20,307	2,685	2,685	(2,828)	22,849
Customer deposits	16,642	(1,480)	-	-	15,162
Net pension liability	231,289	134,918	192,741	96,370	655,318
OPEB obligation	18,360	10,710	15,300	7,650	52,020
Deferred pension	(391,121)	(228,153)	(325,933)	(162,967)	(1,108,174)
Deferred OPEB	(32,911)	(19,197)	(27,425)	(13,712)	(93,245)
Net cash provided by (used in) operating activities	3,140,842	4,383,875	3,058,929	246,769	10,830,415

See accompanying notes

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - 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.

**Reporting Entity**

The Town 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.

**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 THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 non-major government funds:

These *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Deposits and Investments*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, the State Treasurer's Local Government Investment Pool (LGIP), and certificates of deposit with original maturities of three months or less from the date of acquisition.

Investments for the government are reported at fair value. Investments consist of fixed (governmental) securities backed mutual funds, marketable certificates of deposit, and Virginia SNAP bond fund deposits. These investments 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.

*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."

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-ratio 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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Inventories and Other Assets*

Inventory is valued using the lower of average cost 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.

*Restricted Assets*

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

*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.

*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 an adopted capitalization policy of \$10,000.



**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Capital Assets (Continued)*

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

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

*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.

*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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town 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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Fund Balance*

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/lease receivables, 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 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).

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Fund Balance (Continued)*

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 \$9,111,720 have been classified as assigned under fund balance.

*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.

*New Accounting Policies*

The Town adopted Government Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*, on July 1, 2022. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The Statement increases the usefulness of the financial statements by requiring the recognition of certain subscription-based assets and liabilities. It additionally requires disclosure of essential information about those arrangements. The Town did have an arrangement that met the definition of a right-to-use subscription-based information technology arrangement which is described in Note 17.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

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

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several general fund budgetary appropriations throughout the year, totaling \$6,673,479.

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.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2023, there were no departments with expenditures which exceeded appropriations.

**Deficit Fund Balance**

At June 30, 2023 Non major Governmental Funds which had a deficit fund balance are noted below:

Fund	Deficit Fund Balance
Economic Development	<u>\$ 494,822</u>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

As of June 30, 2023 the carrying amount of the Town's deposits with bank and savings institutions was \$32,468,055 and the bank balance was \$33,121,087.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized 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. As of June 30, 2023, none of the Town's deposits are exposed to custodial credit risk.

**Investments**

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

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

In accordance with the laws of the Commonwealth and Town policy, investments authorized to be held by the Town are:

1. Treasury Securities - Bonds, notes, and bills issued by the United States Treasury maturing within five years of the date of purchase, or certificates representing ownership of treasury bond principal or coupons payable with five years.
2. Agency Securities - Fixed rate obligation issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Associate, the Federal Farm Credit Bank, or the Federal Loan Mortgage Corporation, maturing within five years of the date of purchase.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

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.
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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

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:
- 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,
  - 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
  - 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 - defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2023, 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.- 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.

**Deposits and Investments**

As of June 30, 2023, the government had the following investments:

Investment Type	Fair Value	Maturity	
		1 Year	Over 1 Year
Certificates of deposit	\$ 3,821,212	\$ 1,888,317	\$ 1,932,895
Fixed income securities	16,385,817	4,449,130	11,936,687
Money market cash accounts	15,496,973	15,496,973	-
<b>Total</b>	<b>\$ 35,704,002</b>	<b>\$ 21,834,420</b>	<b>\$ 13,869,582</b>



**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits and Investments**

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

	Unrestricted	Restricted	Total
Petty cash	\$ 2,180	\$ -	\$ 2,180
Bank deposits	28,385,116	806,038	29,191,154
Local government investment pool (LGIP)	3,276,901	-	3,276,901
Total cash and cash equivalents	\$ 31,664,197	\$ 806,038	\$ 32,470,235

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, 2023:

- Marketable CDs, fixed (governmental) income securities and fixed (governmental) securities mutual funds are valued using quoted market prices (Level 1 inputs)
- Money market cash accounts are excluded from the fair value hierarchy. There are no use or withdraw restrictions as it is an investment cash pool.

**NOTE 4 – BILLED AND UNBILLED 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 Management	Nonmajor	Total
Receivables:							
Taxes	\$ 2,521,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,521,172
Accounts	137,061	1,119,448	335,325	385,114	94,086	-	2,071,034
Intergovernmental	402,996	-	-	-	-	-	402,996
Unbilled	-	708,159	319,479	317,961	48,370	-	1,393,969
Leases	-	-	279,620	-	-	-	279,620
Other	-	267,718	1,400	19,926	-	-	289,044
Less: allowance	(80,093)	(270,625)	(68,260)	(47,481)	(23,384)	-	(489,843)
Net receivables	\$ 2,981,136	\$ 1,824,700	\$ 867,564	\$ 675,520	\$ 119,072	\$ -	\$ 6,467,992

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 4 – BILLED AND UNBILLED RECEIVABLES (Continued)**

Proprietary fund types estimate and record utility services rendered but not yet billed at June 30, 2023, are determined by reviewing the Town's utility billing rendered prior to year-end and estimated the unbilled service to year-end. June 30, 2023, unbilled service recorded was \$1,393,969.

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	\$ 2,464,704	\$ -
Special Revenue Fund / Property Taxes	-	-
	\$ 2,464,704	\$ -

At June 30, 2023 amounts due from other governments were as follows:

Description/Payer	Amount
Commonwealth of Virginia	
Personal Property Tax Relief Act	\$ 287,863
Communications Tax	11,480
Warren County, Virginia - Sales Tax	103,653
	\$ 402,996

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,304,316	\$ -	\$ -	\$ 1,304,316
Construction in progress	-	161,812	-	161,812
Total capital assets, not depreciated	1,304,316	161,812	-	1,466,128
Capital assets being depreciated:				
Buildings and improvements	23,039,609	2,392,198	-	25,431,807
Vehicles	2,619,300	-	(116,375)	2,502,925
Equipment	5,024,805	43,292	-	5,068,097
Infrastructure	124,617,285	-	-	124,617,285
Right-of-use asset - SBITA	-	90,024	-	90,024
Total capital assets, depreciated	155,300,999	2,525,514	(116,375)	157,710,138
Less accumulated depreciation for:				
Buildings and improvements	(4,058,156)	(648,092)	-	(4,706,248)
Vehicles	(2,320,633)	(129,846)	116,375	(2,334,104)
Equipment	(4,345,810)	(138,550)	-	(4,484,360)
Infrastructure	(98,759,986)	(4,085,813)	-	(102,845,799)
Right-of-use asset - SBITA	-	(30,008)	-	(30,008)
Total accumulated depreciation	(109,484,585)	(5,032,309)	116,375	(114,400,519)
Net capital assets being depreciated	45,816,414	(2,506,795)	-	43,309,619
Governmental capital assets, net	\$ 47,120,730	\$ (2,344,983)	\$ -	\$ 44,775,747

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

Activity	Depreciation
Governmental activities:	
General government	\$ 123,771
Public safety	464,847
Planning, zoning, and community development	32,066
Public works	325,812
Infrastructure depreciation	4,085,813
Total depreciation expense - governmental activities	\$ 5,032,309

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,461,822	\$ -	\$ -	\$ 1,461,822
Construction in progress	-	6,051,295	-	6,051,295
Total capital assets, not depreciated	1,461,822	6,051,295	-	7,513,117
Capital assets being depreciated				
Buildings and improvements	95,393,910	449,020	-	95,842,930
Utility distribution systems	59,033,686	-	-	59,033,686
Vehicles	3,992,140	-	(351,005)	3,641,135
Equipment	6,095,336	1,192,661	-	7,287,997
Total capital assets, depreciated	164,515,072	1,641,681	(351,005)	165,805,748
Less accumulated depreciation for				
Buildings and improvements	(19,359,613)	(2,317,039)	-	(21,676,652)
Utility distribution systems	(38,022,393)	(1,180,674)	-	(39,203,067)
Vehicles	(3,691,542)	(102,485)	351,005	(3,443,022)
Equipment	(4,921,206)	(646,349)	-	(5,567,555)
Total accumulated depreciation	(65,994,754)	(4,246,547)	351,005	(69,890,296)
Net capital assets being depreciated	98,520,318	(2,604,866)	-	95,915,452
Business-type capital assets, net	\$ 99,982,140	\$ 3,446,429	\$ -	\$ 103,428,569

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

Activity	Depreciation
Business-type activities:	
Electric	\$ 782,427
Water	1,145,133
Sewer	2,276,093
Solid waste management	42,894
Total depreciation expense - business-type activities	\$ 4,246,547

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 6 – INTERFUND TRANSACTIONS**

The composition of inter-fund transfers is as follows:

	Transfers In	Transfers Out	Net Transfers In (Out)
<u>Governmental funds:</u>			
General fund	\$ 5,514,912	\$ -	\$ 5,514,912
Debt service	-	2,385,412	(2,385,412)
<u>Total governmental funds</u>	<u>5,514,912</u>	<u>2,385,412</u>	<u>3,129,500</u>
<u>Proprietary funds:</u>			
Electric	-	1,960,000	(1,960,000)
Water	-	500,000	(500,000)
Sewer	-	575,000	(575,000)
Solid waste management	-	94,500	(94,500)
<u>Total proprietary funds</u>	<u>-</u>	<u>3,129,500</u>	<u>(3,129,500)</u>
<u>Total</u>	<u>\$ 5,514,912</u>	<u>\$ 5,514,912</u>	<u>\$ -</u>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 7 – 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.

General obligation bonds and other debt outstanding at June 30, 2023 are as follows:

<b>Description</b>	<b>Governmental Activities Amount</b>	<b>Business-Type Activities Amount</b>
<u>General Obligation Bonds:</u>		
\$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%.	\$ -	\$ 2,770,000
\$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%.	-	1,970,000
\$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.	-	27,269,835
\$2,450,000 2023 Series General Obligation Bonds, issued April 6, 2023, due increasing maturities annual maturities starting with \$79,804 in 2024 and increasing to \$178,679 in 2043, with interest at 4.345%.	2,450,000	-
<b>Total bonded debt</b>	<b>2,450,000</b>	<b>32,009,835</b>
<u>Notes Payable:</u>		
\$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.	100,969	-
\$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.	325,193	-
\$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.	-	17,034
\$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.	7,969,982	-
<b>Total notes payable</b>	<b>8,396,144</b>	<b>17,034</b>
<b>Total long-term debt</b>	<b>\$ 10,846,144</b>	<b>\$ 32,026,869</b>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 7 – LONG TERM LIABILITIES (Continued)**

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

Year ending June 30,	Bonds Payable					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 79,804	\$ 95,236	\$ 175,040	\$ 2,743,880	\$ 97,582	\$ 2,841,462
2025	82,423	102,099	184,522	2,778,880	62,041	2,840,921
2026	86,043	98,479	184,522	2,818,880	21,979	2,840,859
2027	89,822	94,700	184,522	2,858,880	(20,009)	2,838,871
2028	93,767	90,755	184,522	2,123,880	48,003	2,171,883
2029-2033	534,353	388,258	922,611	10,709,400	153,813	10,863,213
2034-2038	662,474	260,138	922,612	7,976,035	15,103	7,991,138
2039-2043	821,314	101,298	922,612	-	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,450,000</b>	<b>\$ 1,230,963</b>	<b>\$ 3,680,963</b>	<b>\$ 32,009,835</b>	<b>\$ 378,512</b>	<b>\$ 32,388,347</b>

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Notes Payable					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 301,439	\$ 160,226	\$ 461,665	\$ 17,034	\$ -	\$ 17,034
2025	308,106	153,559	461,665	-	-	-
2026	314,931	148,669	463,600	-	-	-
2027	321,919	139,746	461,665	-	-	-
2028	302,223	132,757	434,980	-	-	-
2029-2033	1,299,636	581,391	1,881,027	-	-	-
2034-2038	1,391,657	456,717	1,848,374	-	-	-
2039-2043	1,527,943	320,431	1,848,374	-	-	-
2044-2048	1,677,576	170,798	1,848,374	-	-	-
2049-2053	950,714	24,906	975,620	-	-	-
<b>Total</b>	<b>\$ 8,396,144</b>	<b>\$ 2,289,200</b>	<b>\$ 10,685,344</b>	<b>\$ 17,034</b>	<b>\$ -</b>	<b>\$ 17,034</b>

The legal debt limit mandated by the Commonwealth of Virginia is \$181,540,592.

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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7 – LONG TERM LIABILITIES (Continued)**

Long-term liability activity for the year ended June 30, 2023 was as follows:

	June 30, 2022	Additions	Retirements	June 30, 2023	One Year
<u>Governmental activities:</u>					
Compensated absences	\$ 877,437	\$ 885,844	\$ (877,437)	\$ 885,844	\$ 442,922
General obligation bonds	-	2,450,000	-	2,450,000	79,804
Notes payable	8,688,626	-	(292,482)	8,396,144	301,439
Subscription liability	-	90,024	(28,839)	61,185	29,993
Net pension liability	2,355,131	1,272,088	-	3,627,219	-
Other post-employment benefits	3,048,169		(34,334)	3,013,835	-
<b>Total - government activities</b>	<b>\$ 14,969,363</b>	<b>\$ 4,697,956</b>	<b>\$ (1,233,092)</b>	<b>\$ 18,434,227</b>	<b>\$ 854,158</b>
	June 30, 2022	Additions	Retirements	June 30, 2023	One Year
<u>Business-type activities:</u>					
Compensated absences	\$ 293,768	\$ 302,769	\$ (293,768)	\$ 302,769	\$ 151,385
Bonds payable:					
General obligation bonds	34,718,715	-	(2,708,880)	32,009,835	2,743,880
Unamortized premium	465,076	-	(93,015)	372,061	93,015
Notes payable	52,418	-	(35,384)	17,034	17,034
Net pension liability	1,070,016	655,318	-	1,725,334	-
Other post-employment benefits	1,132,317	52,019	-	1,184,336	-
<b>Total - business-type activities</b>	<b>\$ 37,732,310</b>	<b>\$ 1,010,106</b>	<b>\$ (3,131,047)</b>	<b>\$ 35,611,369</b>	<b>\$ 3,005,314</b>

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.

**NOTE 8 – 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 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, 2023 the Town, by budget adoption, suspended EDA project support payments.

Construction Commitments – The Town entered into several construction contracts during the fiscal year for sewer lining/rehabilitation, waterline redundancy improvements, and a new fleet maintenance building. As of June 30, 2023, the Town has outstanding contracts for these projects totaling \$25,237,204 that will be financed from their respective funds. These projects are expected to be completed in fiscal year 2024.



**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

The Virginia Retirement System (the System) is an independent agency of the Commonwealth of Virginia. The System administers four separate pension trust funds, one of them being the Virginia Retirement System (VRS). The VRS Political Subdivision Retirement Plans are part of the agent, multi-employer component of the VRS Trust Fund.

*Plan Description*

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 Virginia Retirement System (VRS) Political Subdivision's Retirement Plan and the additions to/deductions from the VRS Political Subdivision's Retirement Plan fiduciary net position have been determined on the same basis as they were reported by 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.

All full-time, salaried permanent (professional) employees of the Political Subdivision are automatically covered by the 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. The Political Subdivision Retirement Plans are in an agent, multiple-employer plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Political Subdivision Retirement Plans – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has 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>

*Contributions*

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

Consistent with the phased-in funding that had been provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater.

The actuarially determined employer contribution rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

*Actuarial Assumptions*

Valuation Date: Actuarially determined contribution amounts for fiscal year 2022 are calculated based upon the results of the June 30, 2021 actuarial valuation. Interim adjustments to the calculated rate are made if the employer changes the level of benefits provided under the plan between rate setting valuations. Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2022:

Actuarial cost method	Entry-age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	Up to 24 years (varies by employer).
Asset valuation report	5-year smoothed market.
Inflation	2.50%.
Salary increases	Non-hazardous duty – 3.50% to 5.35% Enhanced hazardous duty – 3.50% to 4.75%.
Investment rate of return	6.75%, net of investment expenses.
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	A version of the RP-2014 mortality table with mortality improvements projected to 2020 with scale BB.
Other Information:	
Notes	An experience review was completed, by the prior actuary, covering the four-year period ending June 30, 2020. Changes in assumptions and methods resulting from this study were implemented in the June 30, 2021 funding valuations, first impacting contributions for fiscal years ending 2023 and 2024. The updated assumptions and methods were also reflected in the GASB Statement No. 68 report, for reporting date June 30, 2022.

*Discount Rate*

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.69% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting single discount rate is 6.75%.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 – 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		5.33%
		Inflation	<u>2.50%</u>
		* Expected arithmetic normal return	<u>7.83%</u>

\* The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, 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 THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

*Sensitivity Analysis*

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 or one percentage point higher than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Total OPEB Liability	\$ 11,396,632	\$ 5,352,553	\$ 413,121

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 45,363,493	\$ 41,938,346	\$ 3,425,147
Changes for the year:			
Service cost	896,988	-	896,988
Interest	3,038,002	-	3,038,002
Changes of assumptions	-	-	-
Differences between expected and actual experience	(726,211)	-	(726,211)
Contributions - employer		966,799	(966,799)
Contributions - employee	-	372,337	(372,337)
Net investment income	-	(32,352)	32,352
Benefit payments, including refunds of employee contributions	(2,506,088)	(2,506,088)	-
Administrative expenses	-	(26,368)	26,368
Other changes	-	957	(957)
Net changes	702,691	(1,224,715)	1,927,406
Balances at June 30, 2022	\$ 46,066,184	\$ 40,713,631	\$ 5,352,553

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

*Pension Expense*

For the year ended June 30, 2023, the Town recognized pension expense of the following:

Service Cost	\$	896,988
Interest on the total pension liability		3,038,002
Current period benefit changes		-
Differences between expected and actual experience		(291,651)
Current period change in assumptions		-
Member contributions		(372,337)
Projected earnings on plan investments		(2,790,596)
Differences between projected and actual earnings		564,590
Pension plan administrative expense		26,368
Other		(957)
Recognition of prior deferred outflows		1,049,332
Recognition of prior deferred (inflows)		(1,780,172)
Pension expense (income)	\$	339,567

*Deferred Outflows and Inflows of Resources*

At June 30, 2023, 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	\$ -	\$ 492,129
Change in assumptions	374,957	-
Net difference between projected and actual earnings	-	1,222,930
Employer contributions subsequent to the measurement date	1,124,895	-
Total	\$ 1,499,852	\$ 1,715,059

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

*Deferred Outflows and Inflows of Resources (Continued)*

The \$1,124,895 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts above reported as deferred outflows/inflows of resources will be recognized in pension expense as follows:

Year ended June 30,	Amortization
2024	\$ (448,315)
2025	(637,673)
2026	(818,706)
2027	564,592
2028	-
Thereafter	-
<b>Total</b>	<b>\$ (1,340,102)</b>

Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS: LOCAL PLAN**

Plan Description - The Town 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. This plan is closed to new entrants. 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.

The plan has no assets accumulated in a Trust that meets the requirements in GASB 75 paragraph 4.

Funding Policy - Payments are made monthly to cover the Town's portion of the retiree health insurance premiums. The Town has not made any funding payments beyond required current monthly health insurance premium payments for retired employee coverage. The Town pays for the cost of the Plan on a pay-as-you-go basis from the General Fund. The Plan does not issue a separately publicly available financial report.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS: LOCAL PLAN (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 \$3,046,656 was measured as of June 30, 2023 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, 2023
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.50%
Healthcare Trend Rate:	Please see 07/01/2021 GASB 75 report
Salary increases including inflation	Please see 07/01/2021 GASB 75 report

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS: LOCAL PLAN (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, 2022	\$ 2,882,630	\$ -	\$ 2,882,630
Changes for the year:			
Service cost	130,850	-	130,850
Interest	103,561	-	103,561
Effect of economic/demographic losses	-	-	-
Effect of assumption changes or inputs	107,215	-	107,215
Benefit payments	(177,600)	-	(177,600)
Net changes	164,026	-	164,026
Balances at June 30, 2023	\$ 3,046,656	\$ -	\$ 3,046,656

*Sensitivity Analysis*

The following presents the total OPEB liability of the Town, calculated using the discount rate of 3.65%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1.00% Decrease 2.65%	Current Discount 3.65%	1.00% Increase 4.65%
Total OPEB Liability	\$ 3,294,903	\$ 3,046,656	\$ 2,819,814

The following presents the total OPEB liability of the Town, calculated using the current healthcare cost trend rates as well as what the Town's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1.00% Decrease	Current Trend Rate	1.00% Increase
Total OPEB Liability	\$ 2,684,342	\$ 3,046,656	\$ 3,473,174



**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS: LOCAL PLAN (Continued)**

*Discount Rate*

The discount rate used to measure the OPEB liability is 3.65% for the year ended June 30, 2023. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

*OPEB Expense*

The amount of OPEB expense recognized in the reporting period are as follows:

Service cost	\$	130,850
Interest on total OPEB liability		103,561
Effect on plan changes		-
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses		(124,431)
Recognition of assumption changes or inputs		(46,135)
<b>OPEB Expense / (Income)</b>	<b>\$</b>	<b>63,845</b>

*Deferred Outflows of Resources and Deferred Inflows of Resources*

The deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 549,226
Change in assumptions	127,562	336,069
<b>Total</b>	<b>\$ 127,562</b>	<b>\$ 885,295</b>

Year ended June 30,	Amortization
2024	\$ (170,566)
2025	(170,323)
2026	(173,150)
2027	(119,400)
2028	(83,944)
Thereafter	(40,350)
<b>Total</b>	<b>\$ (757,733)</b>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS: LINE OF DUTY ACT PROGRAM**

The Virginia Retirement System (VRS) Line of Duty Act Program ("LODA") is a multiple-employer, cost-sharing plan. The LODA 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 LODA 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 LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB; LODA OPEB expense; information about the fiduciary net position of the LODA Program; and the additions to/deductions from the LODA Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, 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:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
- \$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.
- 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 THE FINANCIAL STATEMENTS**  
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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS: LINE OF DUTY ACT PROGRAM (Continued)**

*Plan Description (Continued)*

Health Insurance - The Line of Duty Act program provides health insurance benefits.

- 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.

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 LODA Program 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 LODA Program 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.

*Actuarial Assumptions*

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

<u>Assumption</u>	<u>Description</u>
Inflation	2.50%
Salary increases, including inflation:	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost rate assumption:	
Under age 65	7.00% - 4.75%
Ages 65 and older	5.25% - 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Age 65 and older	Fiscal year ended 2023
Investment rate of return	3.69% percent, net of pension plan investment expense, including inflation*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS: LINE OF DUTY ACT PROGRAM (Continued)**

Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.

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 rated.

The actuarial assumptions used in the June 30, 2021 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

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS: LINE OF DUTY ACT PROGRAM (Continued)**

*Net LODA OPEB Liability*

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

Description	LODA
Total LODA OPEB liability	\$ 385,669
Plan fiduciary net position	7,214
Employers' net OPEB liability (asset)	\$ 378,455

Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.87%
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At June 30, 2022, the measurement date for fiscal year ended June 30, 2023, the entity reported the following:

Total Net LODA liability - Proportionate Share	\$ 714,789
Total Net LODA liability - for State	\$ 378,455,607
Proportionate share as a %	0.1889%

LODA expense	\$ 90,046
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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.

*Discount Rate*

The discount rate used to measure the total LODA OPEB liability was 3.69%. 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, 2022, 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.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on LODA Program OPEB investments was set at 3.69% for this valuation. Since LODA Program is funded on a current-disbursement basis, it is not able to use the System's Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.69% 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 as of the measurement date of June 30, 2022.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS: LINE OF DUTY ACT PROGRAM (Continued)**

*Sensitivity Analysis*

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the discount rate of 3.69%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a discount rate that is one percentage point lower 2.69% or one percentage point higher 4.69% than the current rate.

	1.00% Decrease (2.69%)	Current Discount Rate (3.69%)	1.00% Increase (4.69%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 815,925	\$ 714,789	\$ 632,048

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the Healthcare Cost Trend rate of 7.00% decreasing to 4.75%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a Healthcare Cost 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% decrease to 5.75%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 602,365	\$ 714,789	\$ 855,898

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2023, 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	\$ 54,915	\$ 133,593
Net difference between projected and actual earnings	-	3,057
Change in assumptions	199,335	176,300
Changes in proportion	28,251	74,643
Employer contributions subsequent to the measurement date	24,546	-
<b>Total</b>	<b>\$ 307,047</b>	<b>\$ 387,593</b>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS: LINE OF DUTY ACT PROGRAM (Continued)**

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

The \$24,546 of deferred outflows of resources 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, 2024. 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 as follows:

Year ended June 30,	Amortization
2024	\$ (6,083)
2025	(6,018)
2026	(5,948)
2027	(4,824)
2028	(11,316)
Thereafter	(70,903)
<b>Total</b>	<b>\$ (105,092)</b>

Additional financial information supporting the preparation of the LODA Program OPEB Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report is publicly available through the About VRS link on the VRS website at [varetire.org](http://varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE**

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

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*Plan Description*

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

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

The specific information for the Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the following table:

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

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

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

Benefit Amounts - The benefits payable under the GLI Program have several components.

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

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



**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*Plan Description (Continued)*

*Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)* - For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA is \$8,984 as of June 30, 2023.

*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.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the GLI plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Assumption	Description
Inflation	2.50%
Salary increases, including inflation:	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.00%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous duty employees	3.50 - 4.75%
Investment rate of return	6.75%, net of investment expense, including inflation

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*Actuarial Assumptions (Continued)*

Mortality Rates – Non-largest 10 Locality Employers - **General Employees:**

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

Post-Retirement - Pub-2020 Amount Weighted Safety Healthy 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 back 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 Scale - 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, 2021 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

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*Actuarial Assumptions (Continued)*

Mortality Rates – Non-largest 10 Locality Employers – **Hazardous 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 Healthy 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, 2021 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

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*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
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability (asset)	<u>\$ 1,204,096</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	<u>67.21%</u>

At June 30, 2022, the measurement date for fiscal year ended June 30, 2023, entity reported the following:

Total Net GLI liability - Proportionate Share	\$ 436,726
Total Net GLI liability - for State	\$ 1,204,098,215
Proportionate share as a %	0.0363%
GLI expense	<u>\$ 5,225</u>

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

*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 employer contributions 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, 2022, the rate contributed by employers for the VRS GLI OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2022, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan'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.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*Long-Term Expected Rate of Return*

The long-term expected rate of return on 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 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		** Expected arithmetic normal return	<u>7.83%</u>

\* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, 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 THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

*Sensitivity Analysis*

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%)
Covered employer's proportionate share of the total GLI net OPEB liability	\$ 635,487	\$ 436,726	\$ 276,099

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2023, 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	\$ 34,583	\$ 17,520
Net difference between projected and actual earnings	-	27,289
Change in assumptions	16,289	42,539
Change in proportion	7,115	45,201
Employer contributions subsequent to the measurement date	108,839	-
Total	\$ 166,826	\$ 132,549

The \$108,839 of deferred outflows of resources resulting from the Town'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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense as follows:

Year ended June 30,	Amortization
2024	\$ (16,622)
2025	(16,269)
2026	(31,365)
2027	(1,971)
2028	(8,335)
Thereafter	-
Total	\$ (74,562)

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE (Continued)**

Additional financial information supporting the preparation of the VRS GLI Program OPEB Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report is publicly available through the About VRS link on the VRS website at [varetire.org](http://varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 – SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFITS ELEMENTS**

	Governmental Activities	Business-type Activities	Total Primary Government
<b>Deferred outflows of resources - Pension and OPEB</b>			
Differences between expected and actual experience			
LODA	\$ 54,915	\$ -	\$ 54,915
GLI	22,825	11,758	34,583
Change in assumptions			
Pension	247,472	127,485	374,957
Local plan - Health insurance	84,191	43,371	127,562
LODA	199,335	-	199,335
GLI	10,751	5,538	16,289
Change in proportion			
LODA	28,251	-	28,251
GLI	4,696	2,419	7,115
Employer contributions subsequent to the measurement date			
Pension	798,873	326,022	1,124,895
LODA	24,546	-	24,546
GLI	71,834	37,005	108,839
<b>Total deferred outflows or resources - Pension and OPEB</b>	<b>\$ 1,547,689</b>	<b>\$ 553,598</b>	<b>\$ 2,101,287</b>
<b>Net liability</b>			
Pension	\$ 3,627,219	\$ 1,725,334	\$ 5,352,553
Local plan - Health insurance	2,010,807	1,035,849	3,046,656
LODA	714,789	-	714,789
GLI	288,239	148,487	436,726
<b>Total net liability - Pension, LODA, and GLI</b>	<b>\$ 6,641,054</b>	<b>\$ 2,909,670</b>	<b>\$ 9,550,724</b>
<b>Deferred Inflows of resources - Pension and OPEB</b>			
Differences between expected and actual experience			
Pension	\$ 324,805	\$ 167,324	\$ 492,129
Local plan - Health insurance	362,489	186,737	549,226
LODA	133,593	-	133,593
GLI	11,563	5,957	17,520
Net difference between projected and actual earnings			
Pension	944,413	278,517	1,222,930
LODA	3,057	-	3,057
GLI	18,011	9,278	27,289
Changes in assumption			
Local plan - Health insurance	221,806	114,263	336,069
LODA	176,300	-	176,300
GLI	28,076	14,463	42,539
Changes in proportion			
LODA	74,643	-	74,643
GLI	29,833	15,367	45,200
<b>Total deferred Inflows or resources - Pension and OPEB</b>	<b>\$ 2,328,589</b>	<b>\$ 791,906</b>	<b>\$ 3,120,495</b>

Total OPEB expense for all of the Town's OPEB plans is \$159,116 for the year ended June 30, 2023.



**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 14 – 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

**NOTE 15 – RISK MANAGEMENT**

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

VMGSIA - The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2023 the Town paid premiums of approximately \$179,795 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 2023 the Town paid contributions of approximately \$351,025 to the VMLP.

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

**Surety Bonds**

The Town maintains a \$500,000 surety bond for employee theft/public employee dishonesty coverage.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 16 – LEASE RECEIVABLE**

The Town implemented guidance of GASB 87, *Leases*, at July 1, 2021 for accounting and reporting of leases.

The Town's Water Enterprise Fund has entered into various lease agreements to lease land near Town water towers for antenna sites. The Town received monthly payments ranging from \$2,939 to \$3,450 during the year. The Town uses its incremental borrowing rate to determine the initial value of the lease receivable and corresponding deferred inflow. The Town has options to extend which typically are in five-year renewal increments up to 20 years. The Town has considered the probability of exercising the lease renewal options in the initial calculation of the lease.

The table below is a summary of activity for the Town's business-type lease receivables and the corresponding deferred inflow during the year:

Business Type Activities	Balance June 30, 2022	Additions	Retirements & Repayments	Balance June 30, 2023
Water Enterprise Fund - Lease Receivable*	\$ 380,590	-	(100,970)	\$ 279,620
Water Enterprise Fund - Deferred Inflows*	\$ 372,073	-	(105,032)	\$ 267,041

\* Lease receivables and related deferred inflows were restated in regard to a correction of an error, see Note 18 for more information.

For the year ended June 30, 2023, rental and interest income associated with business-type activity lease receivables were \$105,032 and \$13,398, respectively.

**NOTE 17 – SUBSCRIPTION BASED INFORMATION-TECHNOLOGY AGREEMENTS**

The Town implemented guidance of GASB 96, *Subscription Based Information-Technology Agreements (SBITAs)*, at July 1, 2022 for accounting and reporting of subscription agreements using the modified retrospective method.

The Town entered into an agreement in order to use web software and licensing services. An initial subscription liability was recorded in the amount of \$90,024. As of June 30, 2023, the value of the lease liability is \$61,185. The Town is required to make annual fixed payments of \$32,440. The Town uses its incremental borrowing rate to determine the initial value of the right-of-use asset and corresponding subscription liability. The Town has no extension or termination options present in the agreement.

The future minimum lease payments are approximately as follows:

	Principal	Interest	Total
2024	\$ 29,993	\$ 2,447	\$ 32,440
2025	31,192	1,248	32,440
2026	-	-	-
2027	-	-	-
2028	-	-	-
Thereafter	-	-	-
Total	\$ 61,185	\$ 3,695	\$ 64,880

For the year ended June 30, 2023, interest expense related to the subscription liability was \$3,601.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2023**

**NOTE 18 – PRIOR PERIOD RESTATEMENT**

The major restatements affecting the balances noted on the statement of net position, the statement of activities, and the balance sheet as of June 30, 2022, are noted below:

The Town recorded the full amount of ARPA grant money received in fiscal year 2021 as revenue in the general fund when only part of the funds were spent in the water and sewer funds. The correction defers the money still yet to be spent as of June 30, 2022, and reclassifies the money that should have been recognized as revenue in the correct fund.

The Town did not record any deferred inflows and outflows relating to their local health OPEB plan. Additionally, the OPEB liability recorded did not match the actuarial report as of June 30, 2022. An adjustment was made to adjust the OPEB related balances to match the actuarial report in accordance with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Town implemented GASB 87, *Leases*, at July 1, 2021. During the current year, it was discovered the Town had leases that fell under the purview of GASB 87 during fiscal year 2022 and were not properly accounted for.

The Town discovered that some of their accrued expenses have not been updated during previous years. Entries were made to adjust the accrued expense accounts to the amounts that should have been recorded during fiscal year 2022.

	As Previously Reported	Correction of an Error	As Restated
<u>Business-type activities:</u>			
Cash and cash equivalents	\$ 10,863,880	\$ 5,873,502	\$ 16,737,382
Lease receivable	-	380,590	380,590
Deferred outflow - OPEB	-	20,178	20,178
Deferred inflow - OPEB	-	372,253	372,253
OPEB Liability	3,979,988	(76,097)	3,903,891
Accounts payable and accrued expenses	1,893,987	(18,941)	1,875,046
Accured interest payable	60,564	(60,564)	-
Deferred revenue - ARPA	-	5,905,725	5,905,725
Deferred inflow - Leases	-	372,073	372,073
Net position	94,581,943	(220,179)	94,361,764
<u>Governmental activities:</u>			
Cash and cash equivalents	\$ 27,186,854	\$ (5,873,502)	\$ 21,313,352
Deferred outflow - OPEB	-	39,170	39,170
Accounts payable and accrued expenses	735,449	28,410	763,859
OPEB liability	2,178,199	(275,663)	1,902,536
Deferred inflow - OPEB	-	722,607	722,607
Net position	58,476,033	(6,309,686)	52,166,347
<u>Governmental funds:</u>			
Cash and cash equivalents	\$ 25,536,059	\$ (5,873,502)	\$ 19,662,557
Accounts payable and accrued expenses	735,449	28,410	763,859
Fund balance	26,209,033	(5,901,912)	20,307,121



# **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF FRONT ROYAL, VIRGINIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For The Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 1,479,345	\$ 1,479,345	\$ 1,602,604	\$ 123,259
Other local taxes				
Sales tax	1,327,355	1,377,355	1,379,166	1,811
Business and occupational taxes	812,800	842,800	965,682	122,882
Franchise taxes	67,925	67,925	56,885	(11,040)
Consumer taxes	228,425	228,425	225,707	(2,718)
Communication taxes	117,830	117,830	118,864	1,034
Virginia personal property tax reduction	287,000	287,000	287,863	863
Vehicle taxes	380,550	380,550	383,230	2,680
Bank stock taxes	271,230	271,230	419,187	147,957
Meal and lodging taxes	2,397,890	2,602,890	2,721,483	118,593
Other general taxes	94,045	94,045	105,064	11,019
Payments in lieu of taxes	761,885	824,885	860,071	35,186
Permits, fees, and licenses	41,870	41,870	53,570	11,700
Fines and forfeitures	123,300	123,300	160,141	36,841
Revenues from use of money & property	64,150	64,150	274,442	210,292
Charges for services	50	50	13,652	13,602
Miscellaneous	39,560	1,992,066	67,065	(1,925,001)
Intergovernmental	2,672,180	7,045,153	3,085,312	(3,959,841)
<b>Total revenues</b>	<b>11,167,390</b>	<b>17,840,869</b>	<b>12,779,988</b>	<b>(5,060,881)</b>
Expenditures:				
General government				
Legislative	210,645	209,945	184,451	25,494
Executive	2,137,695	3,027,190	2,238,813	788,377
Legal	409,385	554,529	330,148	224,381
Finance	988,080	930,675	910,277	20,398
<b>Total general government</b>	<b>3,745,805</b>	<b>4,722,339</b>	<b>3,663,689</b>	<b>1,058,650</b>
Public safety	5,495,555	5,644,375	5,276,445	367,930
Planning, zoning, and community development	677,750	1,357,111	652,808	704,303
Public works and engineering	3,783,980	8,331,472	1,770,785	6,560,687
Non-departmental	593,800	915,072	726,638	188,434
Capital outlay	-	-	2,687,327	(2,687,327)
Debt service				
Principal	-	-	76,672	(76,672)
Interest	-	-	15,293	(15,293)
<b>Total expenditures</b>	<b>14,296,890</b>	<b>20,970,369</b>	<b>14,869,657</b>	<b>6,100,712</b>
Other financing sources (uses):				
Transfers in	3,129,500	3,129,500	5,514,912	2,385,412
Transfers out	-	-	-	-
Subscription-based IT arrangements	-	-	90,024	90,024
<b>Total other financing sources (uses) -</b>	<b>3,129,500</b>	<b>3,129,500</b>	<b>5,604,936</b>	<b>2,475,436</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,515,267</b>	<b>\$ 3,515,267</b>

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For The Year Ended June 30, 2023**

	Plan Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 896,988	\$ 887,581	\$ 924,296	\$ 855,832	\$ 817,668	\$ 839,589	\$ 838,443	\$ 763,448	\$ 772,812
Interest	3,038,002	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	(726,211)	(196,235)	(893,252)	368,346	(7,181)	(304,814)	100,624	503,756	-
Benefit payments, including refunds of employee contributions	(2,506,088)	(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	702,691	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	45,363,493	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)	\$ 46,066,184	\$ 45,363,493	\$ 42,465,513	\$ 41,934,988	\$ 39,152,135	\$ 37,873,241	\$ 37,285,847	\$ 36,187,066	\$ 34,536,972
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 966,799	\$ 980,847	\$ 936,681	\$ 952,791	\$ 1,003,374	\$ 983,818	\$ 1,011,174	\$ 964,775	\$ 1,028,333
Contributions - employee	372,337	418,237	376,109	382,999	377,390	364,069	351,767	375,118	336,567
Net investment income	(32,352)	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	(2,506,088)	(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	(26,368)	(23,072)	(22,414)	(21,868)	(20,098)	(20,391)	(18,467)	(18,055)	(21,238)
Other	957	861	(948)	(1,358)	(2,037)	(3,056)	(210)	(275)	207
Net change in total net pension position	(1,224,715)	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	41,938,346	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)	\$ 40,713,631	\$ 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)	\$ 5,352,553	\$ 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	88%	92%	79%	81%	84%	83%	77%	80%	82%
Covered payroll	\$ 7,869,077	\$ 7,738,768	\$ 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 payroll	68%	44%	113%	98%	82%	89%	120%	103%	89%

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

See Independent Auditor's Report

**TOWN OF FRONT ROYAL, VIRGINIA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION**  
**For The Year Ended June 30, 2023**

Entity Fiscal Year	Actuarially Determined Employer Contribution (a)	Actual Employer Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contribution as a % of Covered Payroll (b/c)
2023	\$ 1,124,896	\$ 1,124,896	\$ -	\$ 8,109,487	13.87%
2022	966,799	966,799	-	7,869,077	12.29%
2021	980,847	980,847	-	7,738,768	12.67%
2020	936,681	936,681	-	7,738,915	12.10%
2019	952,791	952,791	-	8,072,144	11.80%
2018	1,003,374	1,003,374	-	7,703,337	13.03%
2017	983,818	983,818	-	7,425,456	13.25%
2016	1,011,174	1,011,174	-	7,181,524	14.08%
2015	964,775	964,775	-	6,898,938	13.98%
2014	-	1,028,418	(1,028,418)	6,804,987	15.11%

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE SUPPLEMENTAL PENSION SCHEDULES**  
**For The Year Ended June 30, 2023**

Valuation Date: Actuarially determined contribution amounts for fiscal year 2022 are calculated based upon the results of the June 30, 2019 actuarial valuation. Interim adjustments to the calculated rate are made if the employer changes the level of benefits provided under the plan between rate setting valuations. Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2022:

Actuarial cost method	Entry-age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	Up to 24 years (varies by employer).
Asset valuation report	5-year smoothed market.
Inflation	2.50%.
Salary increases	Non-hazardous duty – 3.50% to 5.35% Enhanced hazardous duty – 3.50% to 4.75%.
Investment rate of return	6.75%, net of investment expenses.
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	A version of the RP-2014 mortality table with mortality improvements projected to 2020 with scale BB.
Other Information:	
Notes	An experience review was completed, by the prior actuary, covering the four-year period ending June 30, 2020. Changes in assumptions and methods resulting from this study were implemented in the June 30, 2021 funding valuations, first impacting contributions for fiscal years ending 2023 and 2024. The updated assumptions and methods were also reflected in the GASB Statement No. 68 report, for reporting date June 30, 2022.

*See Independent Auditor's Report*



# TOWN OF FRONT ROYAL, VIRGINIA

## SCHEDULE OF CHANGES IN TOTAL OPEB HEALTH INSURANCE LIABILITY AND RELATED RATIOS

For The Year Ended June 30, 2023

	Entity Fiscal Year					
	2023	2022	2021	2020	2019	2018
<u>Total OPEB liability</u>						
Service cost	\$ 130,850	\$ 164,932	\$ 209,933	\$ 177,554	\$ 144,630	\$ 149,146
Interest on total OPEB liability	103,561	78,913	79,280	143,687	148,984	136,420
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(450,576)	-	(476,220)	-	-
Effect of assumption changes or inputs	107,215	(300,842)	14,634	(200,563)	131,241	(130,832)
Benefit payments	(177,600)	(195,379)	(190,332)	(198,644)	(205,426)	(191,316)
Net change in total OPEB liability	164,026	(702,952)	113,515	(554,186)	219,429	(36,582)
 Total OPEB liability - beginning	 2,882,630	 3,585,582	 3,472,067	 4,026,253	 3,806,824	 3,843,406
Total OPEB liability - ending (a)	\$ 3,046,656	\$ 2,882,630	\$ 3,585,582	\$ 3,472,067	\$ 4,026,253	\$ 3,806,824
 <u>Covered payroll</u>	 \$ 7,954,328	 \$ 7,736,627	 \$ 8,511,757	 \$ 8,324,014	 \$ 7,384,438	 \$ 7,384,438
 Total OPEB liability as a % of covered-employee payroll	 38.30%	 37.26%	 42.13%	 41.71%	 54.52%	 51.55%

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

See Independent Auditor's Report

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY HEALTH INSURANCE SCHEDULE**  
**For The Year Ended June 30, 2023**

No assets are accumulated in a trust that meet the criteria as defined in.

The following factors affect trends in the amounts reported:

**June 30, 2022**

Discount rate - 3.54%

**June 30, 2023**

Discount rate - 3.65%

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET LODA OPEB LIABILITY AND RELATED RATIOS**  
**For The Year Ended June 30, 2023**

	Plan Year					
	2022	2021	2020	2019	2018	2017
Employer's proportion of the net LODA OPEB liability (asset)	0.19%	0.19%	0.20%	0.20%	0.22%	0.19%
Employer's proportionate share of the net LODA OPEB liability (asset)	\$ 714,789	\$ 850,100	\$ 826,532	\$ 717,000	\$ 685,000	\$ 511,000
Covered payroll	** \$ 1,774,268	\$ 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	** 40.29%	48.87%	46.57%	44.18%	47.13%	40.88%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.87%	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.

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - LINE OF DUTY ACT**  
**For The Year Ended June 30, 2023**

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)
2023	\$ 24,546	\$ 24,546	\$ -	\$ 2,289,248 *	1.07%
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 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.

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY LODA SCHEDULES**  
**For The Year Ended June 30, 2023**

**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, 2021 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

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY**  
**For The Year Ended June 30, 2023**

	Plan Year					
	2022	2021	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability (asset)	0.03627%	0.03846%	0.03790%	0.04026%	0.04002%	0.04027%
Employer's proportionate share of the net GLI OPEB liability (asset)	\$ 436,726	\$ 447,779	\$ 632,489	\$ 655,000	\$ 608,000	\$ 606,000
Covered payroll	** \$ 8,109,487	\$ 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	** 5.39%	5.62%	8.17%	8.11%	7.89%	8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%	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.

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - GROUP LIFE INSURANCE**  
**For The Year Ended June 30, 2023**

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)
2023	\$ 108,839	\$ 108,839	\$ -	\$ 8,109,487	1.34%
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	0.50%
2019	41,038	41,038	-	7,703,337	0.53%
2018	39,572	39,572	-	7,425,456	0.53%
2017	34,542	34,542	-	7,181,524	0.48%
2016	38,621	38,621	-	6,898,938	0.56%
2015	34,542	38,140	(3,598)	6,804,987	0.56%
2014	32,687	36,092	(3,405)	6,476,778	0.56%

*See Independent Auditor's Report*

**TOWN OF FRONT ROYAL, VIRGINIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY GLI SCHEDULES**  
**For The Year Ended June 30, 2023**

**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, 2021 based on the most recent experience study of the System for the four-year period ending June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 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

*See Independent Auditor's Report*





# **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF FRONT ROYAL, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2023**

	Asset Forfeitures	Economic Development	Debt Service	Community/ Neighborhood	Totals
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 41,337	\$ -	\$ -	\$ 1,741,902	\$ 1,783,239
Total assets	\$ 41,337	\$ -		\$ 1,741,902	\$ 1,783,239
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Banking advances	\$ -	\$ 494,822	\$ -	\$ -	\$ 494,822
Total liabilities	-	494,822	-	-	494,822
Fund balances:					
Restricted for:					
Capital outlays	41,337	-	-	-	41,337
Community development	-	-	-	1,741,902	1,741,902
Unassigned	-	(494,822)	-	-	(494,822)
Total fund balances (deficit)	41,337	(494,822)	-	1,741,902	1,288,417
Total liabilities and fund balances	\$ 41,337	\$ -	\$ -	\$ 1,741,902	\$ 1,783,239

**TOWN OF FRONT ROYAL, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

	Special Revenue Funds				
	Asset Forfeitures	Economic Development	Debt Service	Community/ Neighborhood	Totals
Revenues:					
Property taxes	\$ -	\$ -	\$ 369,674	\$ 370,815	\$ 740,489
Recovered costs	14,381	-	-	-	14,381
Intergovernmental	-	-	-	17,419	17,419
Total revenues	14,381	-	369,674	388,234	772,289
Expenditures:					
Public works and engineering	-	-	187,813	-	187,813
Debt service					
Principal	-	-	215,810	-	215,810
Interest	-	-	153,864	-	153,864
Total expenditures	-	-	557,487	-	557,487
Excess (deficiency) of revenues over expenditures	14,381	-	(187,813)	388,234	214,802
Other financing sources (uses)					
Transfers out	-	-	(2,385,412)	-	(2,385,412)
Bond proceeds	-	-	2,450,000	-	2,450,000
Total other financing sources (uses)	-	-	64,588	-	64,588
Net change in fund balance	14,381	-	(123,225)	388,234	279,390
Fund balances (deficit), beginning	26,956	(494,822)	123,225	1,353,668	1,009,027
Fund balances (deficit), ending	\$ 41,337	\$ (494,822)	\$ -	\$ 1,741,902	\$ 1,288,417

**TOWN OF FRONT ROYAL, VIRGINIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND - ASSET SEIZURE**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Recovered costs	\$ 12,000	\$ 28,938	\$ 14,381	\$ (14,557)
Total revenues	12,000	28,938	14,381	(14,557)
Expenditures:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	12,000	28,938	14,381	(14,557)
Other financing sources (uses)				
Fund balance re-appropriated	(12,000)	(28,938)	-	28,938
Total other financing sources (uses)	(12,000)	(28,938)	-	28,938
Net change in fund balance	\$ -	\$ -	\$ 14,381	\$ 14,381

**TOWN OF FRONT ROYAL, VIRGINIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 369,680	\$ 369,680	\$ 369,674	\$ (6)
<b>Total revenues</b>	<b>369,680</b>	<b>369,680</b>	<b>369,674</b>	<b>(6)</b>
Expenditures:				
Public works and engineering	2,490,000	2,490,000	187,813	(2,302,187)
Debt service				
Principal	211,715	211,715	215,810	4,095
Interest	157,965	157,965	153,864	(4,101)
<b>Total expenditures</b>	<b>2,859,680</b>	<b>2,859,680</b>	<b>557,487</b>	<b>(2,302,193)</b>
Excess (deficiency) of revenues over expenditures	(2,490,000)	(2,490,000)	(187,813)	2,302,187
Other financing sources (uses)				
Transfers out	-	-	(2,385,412)	(2,385,412)
Bond proceeds	2,450,000	2,450,000	2,450,000	-
Fund balance re-appropriated	40,000	40,000	-	(40,000)
<b>Total other financing sources (uses)</b>	<b>2,490,000</b>	<b>2,490,000</b>	<b>64,588</b>	<b>(2,425,412)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (123,225)</b>	<b>\$ (123,225)</b>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND - COMMUNITY/NEIGHBORHOOD**  
**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 370,815	370,815	\$ 370,815	\$ -
Intergovernmental	17,420	-	17,419	17,419
<b>Total revenues</b>	<b>388,235</b>	<b>370,815</b>	<b>388,234</b>	<b>17,419</b>
Expenditures:				
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	388,235	370,815	388,234	17,419
Other financing sources (uses)				
Fund balance re-appropriated	(388,235)	(370,815)	-	370,815
<b>Total other financing sources (uses)</b>	<b>(388,235)</b>	<b>(370,815)</b>	<b>-</b>	<b>370,815</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 388,234</b>	<b>\$ 388,234</b>

**TOWN OF FRONT ROYAL, VIRGINIA**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	Business-type Activities - Enterprise Funds			
	Electric	Electric	Water	Water
	Current Year	Prior Year*	Current Year	Prior Year*
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 70,663	\$ 70,663	\$ 8,975,272	\$ 3,706,443
Investments	7,285,811	6,178,375	9,475,969	5,561,307
Accounts receivable, net	1,593,090	1,642,962	586,544	472,789
Lease receivable	-	-	279,620	380,590
Other receivables, net	231,610	67,432	1,400	-
Inventories	1,469,722	1,476,555	300,435	345,966
Total current assets	10,650,896	9,435,987	19,619,240	10,467,095
Noncurrent assets:				
Restricted cash and cash equivalents				
Customer deposits	734,410	717,768	71,628	73,108
Capital assets, net	12,640,235	13,054,902	30,629,349	26,755,873
Total noncurrent assets	13,374,645	13,772,670	30,700,977	26,828,981
Total assets	24,025,541	23,208,657	50,320,217	37,296,076
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred charge on refunded debt	-	-	253,958	277,045
Pension benefits	163,683	226,395	131,209	167,789
Other post-employment benefits	35,155	22,328	20,913	13,433
Total deferred outflow of resources	198,838	248,723	406,080	458,267
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable and accrued expenses	1,295,874	1,329,553	1,361,770	35,240
Compensated absences - current	58,968	48,815	37,055	35,713
General obligation bonds - current	-	-	868,015	740,000
Loan payable - current	-	-	-	-
Total current liabilities	1,354,842	1,378,368	2,266,840	810,953
Noncurrent liabilities:				
Customer deposits payable	734,410	717,768	71,628	73,108
Deferred revenue - ARPA	-	-	6,807,190	-
Compensated absences	58,968	48,815	37,055	35,713
General obligation bonds payable	-	-	4,244,046	5,205,076
Loan payable	-	-	-	-
Net pension liability	620,728	389,439	431,193	296,275
Other post-employment benefits	417,394	399,034	244,907	234,197
Total noncurrent liabilities	1,831,500	1,555,056	11,836,019	5,844,369
Total liabilities	3,186,342	2,933,423	14,102,859	6,655,321
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension benefits	174,474	565,595	202,125	430,278
Other post-employment benefits	121,870	154,781	71,720	90,917
Leases	-	-	267,042	372,074
Total deferred inflows of resources	296,344	720,376	540,887	893,269
<b>NET POSITION:</b>				
Net investment in capital assets	12,640,235	13,054,902	25,771,246	21,087,842
Unrestricted	8,101,458	6,748,679	10,311,305	9,117,911
Total net position	\$ 20,741,693	\$ 19,803,581	\$ 36,082,551	\$ 30,205,753

\*Prior year information audited by prior auditor. Certain amounts are shown as restated. See note 18.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**COMPARATIVE STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**June 30, 2023**

	Business-type Activities - Enterprise Funds			
	Sewer	Sewer	Solid Waste	Solid Waste
	Current Year	Prior Year*	Current Year	Prior Year*
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 6,808,240	\$ 6,447,308	\$ 1,332,510	\$ 1,072,632
Investments	9,471,111	6,985,363	-	-
Accounts receivable, net	659,545	535,447	119,072	112,444
Lease receivable	-	-	-	-
Other receivables, net	15,975	10,375	-	-
Inventories	300,435	345,966	-	-
Total current assets	17,255,306	14,324,459	1,451,582	1,185,076
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	-	-
Customer deposits	-	-	-	-
Capital assets, net	60,047,074	60,016,559	111,911	154,805
Total noncurrent assets	60,047,074	60,016,559	111,911	154,805
Total assets	77,302,380	74,341,018	1,563,493	1,339,881
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred charge on refunded debt	-	-	-	-
Pension benefits	89,593	141,850	69,022	95,150
Other post-employment benefits	29,259	18,574	14,764	9,421
Total deferred outflow of resources	118,852	160,424	83,786	104,571
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable and accrued expenses	985,835	507,550	12,721	16,551
Compensated absences - current	37,055	35,713	18,307	19,721
General obligation bonds - current	1,968,880	1,968,880	-	-
Loan payable - current	-	-	17,034	35,384
Total current liabilities	2,991,770	2,512,143	48,062	71,656
Noncurrent liabilities:				
Customer deposits payable	-	-	-	-
Deferred revenue - ARPA	3,329,998	32,223	-	-
Compensated absences	37,055	35,713	18,307	19,721
General obligation bonds payable	25,300,954	27,269,834	-	-
Loan payable	-	-	-	17,034
Net pension liability	424,966	232,225	248,447	152,077
Other post-employment benefits	347,714	332,414	174,322	166,672
Total noncurrent liabilities	29,440,687	27,902,409	441,076	355,504
Total liabilities	32,432,457	30,414,551	489,137	427,159
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension benefits	11,357	337,290	57,885	220,852
Other post-employment benefits	101,508	128,933	50,967	64,679
Leases	-	-	-	-
Total deferred inflows of resources	112,865	466,223	108,852	285,531
<b>NET POSITION:</b>				
Net investment in capital assets	32,777,240	30,777,845	94,877	102,387
Unrestricted	12,098,670	12,842,823	954,413	629,375
Total net position	\$ 44,875,910	\$ 43,620,668	\$ 1,049,290	\$ 731,762

\*Prior year information audited by prior auditor. Certain amounts are shown as restated. See note 18.



**TOWN OF FRONT ROYAL, VIRGINIA**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds			
	Electric	Electric	Water	Water
	Current Year	Prior Year*	Current Year	Prior Year*
Operating revenues:				
Charges for sales and services				
Electric sales	\$ 19,572,118	\$ 20,302,596	\$ -	\$ -
Water and sewer sales	-	-	4,761,850	4,433,645
Installation and connection charges	428,721	138,907	88,978	215,132
Refuse service fees	-	-	-	-
Other	87,431	35,349	1,750,000	6,080
<b>Total operating revenues</b>	<b>20,088,270</b>	<b>20,476,852</b>	<b>6,600,828</b>	<b>4,654,857</b>
Operating expenses:				
Personal service	1,312,562	1,241,568	1,116,607	1,067,113
Contractual service	178,933	106,708	466,790	203,033
Electric power	14,399,604	14,726,316	-	-
Depreciation	782,427	720,212	1,145,133	1,076,801
Other charges	827,628	553,167	783,531	880,669
<b>Total operating expenses</b>	<b>17,501,154</b>	<b>17,347,971</b>	<b>3,512,061</b>	<b>3,227,616</b>
<b>Operating income</b>	<b>2,587,116</b>	<b>3,128,881</b>	<b>3,088,767</b>	<b>1,427,241</b>
Nonoperating revenues (expenses):				
Gain (loss) on investments	(56,399)	(372,371)	(49,335)	(283,670)
Interest income (expense)	223,764	71,906	113,934	(138,072)
Capital grants	5,425	14,919	3,118,400	-
Gain on sale of capital assets	138,206	-	-	-
Lease income	-	-	105,032	105,032
<b>Total nonoperating revenues (expenses)</b>	<b>310,996</b>	<b>(285,546)</b>	<b>3,288,031</b>	<b>(316,710)</b>
<b>Transfers in (out)</b>	<b>(1,960,000)</b>	<b>(1,885,692)</b>	<b>(500,000)</b>	<b>(475,993)</b>
<b>Change in net position</b>	<b>938,112</b>	<b>957,643</b>	<b>5,876,798</b>	<b>634,538</b>
<b>Total net position - beginning, as restated</b>	<b>19,803,581</b>	<b>18,845,938</b>	<b>30,205,753</b>	<b>29,571,215</b>
<b>Total net position - end of year</b>	<b>\$ 20,741,693</b>	<b>\$ 19,803,581</b>	<b>\$ 36,082,551</b>	<b>\$ 30,205,753</b>

\*Prior year information audited by prior auditor. Certain amounts are shown as restated. See note 18.

**TOWN OF FRONT ROYAL, VIRGINIA**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds			
	Sewer	Sewer	Solid Waste	Solid Waste
	Current Year	Prior Year*	Current Year	Prior Year*
Operating revenues:				
Charges for sales and services				
Electric sales	\$ -	\$ -	\$ -	\$ -
Water and sewer sales	6,092,664	5,716,278	-	-
Installation and connection charges	218,318	420,809	-	-
Refuse service fees	-	-	1,134,072	1,138,743
Other	-	625	-	317
<b>Total operating revenues</b>	<b>6,310,982</b>	<b>6,137,712</b>	<b>1,134,072</b>	<b>1,139,060</b>
Operating expenses:				
Personal service	806,150	820,452	601,183	630,512
Contractual service	384,510	242,012	-	-
Electric power	-	-	-	-
Depreciation	2,276,093	2,088,945	42,894	83,149
Other charges	1,921,907	1,771,642	220,960	419,706
<b>Total operating expenses</b>	<b>5,388,660</b>	<b>4,923,051</b>	<b>865,037</b>	<b>1,133,367</b>
<b>Operating income</b>	<b>922,322</b>	<b>1,214,661</b>	<b>269,035</b>	<b>5,693</b>
Nonoperating revenues (expenses):				
Gain (loss) on investments	(49,335)	(283,670)	-	-
Interest income (expense)	255,028	60,930	101,784	28,222
Capital grants	702,227	126,500	-	-
Gain on sale of capital assets	-	-	41,209	-
Lease income	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>907,920</b>	<b>(96,240)</b>	<b>142,993</b>	<b>28,222</b>
<b>Transfers in (out)</b>	<b>(575,000)</b>	<b>1,444,887</b>	<b>(94,500)</b>	<b>(86,892)</b>
<b>Change in net position</b>	<b>1,255,242</b>	<b>2,563,308</b>	<b>317,528</b>	<b>(52,977)</b>
<b>Total net position - beginning, as restated</b>	<b>43,620,668</b>	<b>41,057,360</b>	<b>731,762</b>	<b>784,739</b>
<b>Total net position - end of year</b>	<b>\$ 44,875,910</b>	<b>\$ 43,620,668</b>	<b>\$ 1,049,290</b>	<b>\$ 731,762</b>

\*Prior year information audited by prior auditor. Certain amounts are shown as restated. See note 18.



# **STATISTICAL SECTION**

## 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, Note to Financial Statements, and Required Supplementary Information says about the Town's overall financial health.

<b><u>Category</u></b>	<b><u>Schedule #'s</u></b>
<b>Financial Trends</b> Schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1 - 5
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.	6 - 9
<b>Debt Capacity</b> 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.	10 - 14
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.	15 - 16
<b>Operating Information</b> 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.	17 - 19

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 Years  
(accrual basis of accounting)  
**Schedule 1**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 26,341,520
Restricted for:										
Other Purposes	2,830,559	3,239,409	3,394,680	3,528,117	4,133,610	4,890,632	4,521,867	7,693,994	7,185,636	3,560,126
Unrestricted	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	22,225,456
Total Government Activities Net Position	<u>\$ 59,316,745</u>	<u>\$ 52,869,568</u>	<u>\$ 55,239,027</u>	<u>\$ 60,620,347</u>	<u>\$ 57,224,765</u>	<u>\$ 56,239,239</u>	<u>\$ 53,795,667</u>	<u>\$ 54,507,466</u>	<u>\$ 52,166,347</u>	<u>\$ 52,127,102</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 71,029,640
Unrestricted	22,940,690	17,389,248	18,022,201	26,239,996	25,856,906	29,337,878	29,424,032	28,422,162	29,338,787	31,719,804
Total Business-type Activities Net Position	<u>\$ 58,326,205</u>	<u>\$ 61,548,995</u>	<u>\$ 69,716,031</u>	<u>\$ 77,086,298</u>	<u>\$ 79,481,267</u>	<u>\$ 82,352,093</u>	<u>\$ 85,706,364</u>	<u>\$ 90,039,548</u>	<u>\$ 94,361,764</u>	<u>\$ 102,749,444</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 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	\$ 97,371,160
Restricted	2,830,559	3,239,409	3,394,680	3,528,117	4,133,610	4,890,632	4,521,867	7,693,994	7,185,636	3,560,126
Unrestricted	28,654,824	19,548,414	20,778,006	29,405,632	27,559,018	31,387,261	33,192,892	33,428,523	35,887,394	53,945,260
Total Primary Government Net Position	<u>\$ 117,642,950</u>	<u>\$ 114,418,563</u>	<u>\$ 124,955,058</u>	<u>\$ 137,706,645</u>	<u>\$ 136,706,032</u>	<u>\$ 138,591,332</u>	<u>\$ 139,502,031</u>	<u>\$ 144,547,014</u>	<u>\$ 146,528,111</u>	<u>\$ 154,876,546</u>

**Town of Front Royal, Virginia**  
Changes in Net Position  
Last Ten Years  
(accrual basis of accounting)  
**Schedule 2**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental Activities:										
General government and administration	\$ 3,610,966	\$ 4,970,437	\$ 3,866,401	\$ 3,371,036	\$ 4,467,872	\$ 3,580,318	\$ 3,987,202	\$ 4,015,860	\$ 3,461,743	\$ 4,332,364
Public safety	4,256,684	5,685,434	4,401,137	4,626,250	5,916,461	5,084,827	5,482,892	5,692,090	5,234,058	5,419,077
Public works and engineering	2,152,085	3,965,450	2,832,612	2,971,237	3,441,419	2,671,218	2,576,212	2,571,885	2,334,275	2,268,376
Planning, zoning, and community development	720,592	700,053	1,077,032	1,246,737	1,078,310	936,586	959,043	1,959,984	617,511	565,192
Culture and recreation	22,344	-	-	-	-	-	-	-	-	-
Interest on long term debt	-	-	-	-	-	10,965	25,337	144,456	176,510	169,157
Infrastructure depreciation	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	4,085,813
<i>Total Governmental Activities Expenses</i>	<i>14,353,725</i>	<i>18,912,429</i>	<i>15,768,237</i>	<i>15,806,314</i>	<i>18,495,116</i>	<i>16,336,630</i>	<i>17,116,499</i>	<i>18,470,088</i>	<i>15,909,910</i>	<i>16,839,979</i>
Business-Type Activities:										
Electric	15,469,985	15,731,246	15,869,418	15,515,533	18,370,011	18,681,552	16,834,919	16,474,219	17,301,690	17,501,154
Water	3,075,201	3,867,704	3,604,540	3,444,027	3,799,910	3,380,314	3,315,985	3,011,707	3,384,680	3,512,061
Sewer	3,186,205	4,212,478	3,584,110	4,106,234	5,219,163	5,307,707	4,913,811	5,114,415	4,884,514	5,388,660
Refuse	929,685	842,450	864,785	837,128	898,003	882,729	895,285	889,894	1,091,676	865,037
<i>Total Business-Type Activities Expenses</i>	<i>22,661,076</i>	<i>24,653,878</i>	<i>23,922,853</i>	<i>23,902,922</i>	<i>28,287,087</i>	<i>28,252,302</i>	<i>25,960,000</i>	<i>25,490,235</i>	<i>26,662,560</i>	<i>27,266,912</i>
<i>Total Primary Government Expenses</i>	<i>37,014,801</i>	<i>43,566,307</i>	<i>39,691,090</i>	<i>39,709,236</i>	<i>46,782,203</i>	<i>44,588,932</i>	<i>43,076,499</i>	<i>43,960,323</i>	<i>42,572,470</i>	<i>44,106,891</i>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services:										
General government	142,191	168,283	101,895	82,552	76,402	55,704	24,889	68,889	32,793	396,882
Public safety	357,460	179,726	188,653	167,355	247,586	298,212	171,240	161,077	134,874	160,141
Public works and engineering	3,848	817	3,248	-	-	-	-	-	-	-
Planning, zoning, and community development	26,251	25,410	30,739	29,534	40,747	31,695	43,230	30,669	32,485	53,570
Operating grants and contributions	2,047,240	2,094,216	2,164,424	2,231,968	2,263,456	3,008,198	2,524,909	7,147,804	2,598,163	635,946
Capital grants and contributions	32,554	29,357	5,315,112	7,760,114	1,296,492	283,281	99,175	154,738	178,370	2,466,785
<i>Total Governmental Program Revenues</i>	<i>2,609,544</i>	<i>2,497,809</i>	<i>7,804,071</i>	<i>10,271,523</i>	<i>3,924,683</i>	<i>3,677,090</i>	<i>2,863,443</i>	<i>7,563,177</i>	<i>2,976,685</i>	<i>3,713,324</i>
Business-Type Activities:										
Charges for services:										
Electric	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	20,000,839
Water	4,549,414	5,170,326	5,134,173	5,405,199	5,258,361	5,073,560	4,827,497	5,120,139	4,776,339	4,955,860
Sewer	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	6,310,982
Solid waste management	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	1,134,072
Capital grants and contributions	-	474,457	5,381,345	4,358,919	1,841,670	262,563	138,904	152,293	141,419	3,826,052
<i>Total Business-Type Program Revenues</i>	<i>27,917,275</i>	<i>30,708,819</i>	<i>35,089,219</i>	<i>34,367,882</i>	<i>33,692,743</i>	<i>33,248,560</i>	<i>31,763,710</i>	<i>32,596,719</i>	<i>32,671,382</i>	<i>36,227,805</i>
<i>Total Primary Government Program Revenues</i>	<i>30,526,819</i>	<i>33,206,628</i>	<i>42,893,290</i>	<i>44,639,405</i>	<i>37,617,426</i>	<i>36,925,650</i>	<i>34,627,153</i>	<i>40,159,896</i>	<i>35,648,067</i>	<i>39,941,129</i>

**Town of Front Royal, Virginia**  
Changes in Net Position  
Last Ten Years  
(accrual basis of accounting)  
**Schedule 2**

Years ended June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Net (Expense) Revenue</b>										
Governmental Activities	\$ (11,744,181)	\$ (16,414,620)	\$ (7,964,166)	\$ (5,534,791)	\$ (14,570,433)	\$ (12,659,540)	\$ (14,253,056)	\$ (10,906,911)	\$ (12,933,225)	\$ (13,126,655)
Business-Type Activities	5,256,199	6,054,941	11,166,366	10,464,960	5,405,656	4,996,258	5,803,710	7,106,484	6,008,822	8,960,893
	<u>(6,487,982)</u>	<u>(10,359,679)</u>	<u>3,202,200</u>	<u>4,930,169</u>	<u>(9,164,777)</u>	<u>(7,663,282)</u>	<u>(8,449,346)</u>	<u>(3,800,427)</u>	<u>(6,924,403)</u>	<u>(4,165,762)</u>
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental Activities:										
Property taxes	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	2,462,050
Sales taxes	943,728	852,134	794,164	930,123	905,904	951,020	1,054,716	1,218,034	1,344,539	1,379,166
Business and occupational taxes	672,494	682,756	804,677	735,679	719,089	763,876	812,015	827,597	921,215	965,682
Franchise and bank stock taxes	284,714	303,207	288,944	286,165	372,811	368,735	372,784	323,005	496,127	492,296
Communication taxes	169,927	170,799	165,738	160,990	157,125	145,928	140,543	128,982	121,782	118,864
Consumer taxes	164,137	222,783	181,034	225,029	183,832	232,517	227,433	225,195	236,869	225,707
Meals and lodging taxes	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	2,721,483
Virginia pers. prop. tax reduction	287,000	287,000	287,000	287,000	287,863	287,863	287,863	287,000	287,000	287,863
Payment in lieu of taxes	407,661	389,041	403,582	516,858	651,780	730,871	753,655	805,142	780,924	860,071
Vehicle taxes	357,359	362,923	368,894	365,261	375,976	377,554	390,178	378,663	385,138	88,840
Other general taxes	86,720	81,598	84,764	90,552	105,457	123,166	108,865	88,657	91,808	-
Unrestricted investment earnings	77,835	65,337	65,457	33,784	63,053	295,260	250,609	34,604	(211,836)	274,442
Gain on sale of capital assets	-	-	-	-	240,464	19,327	2,668	8,207	33,129	81,446
recovered costs, and miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	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	3,129,500
Total Governmental Activities	<u>9,849,996</u>	<u>9,967,443</u>	<u>10,333,625</u>	<u>10,916,111</u>	<u>11,174,851</u>	<u>11,674,014</u>	<u>11,809,484</u>	<u>11,618,710</u>	<u>10,592,106</u>	<u>13,087,410</u>
Business-Type Activities:										
Unrestricted investment earnings	174,807	119,434	194,315	62,459	144,313	873,411	680,561	90,556	(715,139)	539,441
Gain on sale of capital assets	-	-	-	265,348	-	132,157	-	-	-	2,016,846
recovered costs, and miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(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)	(3,129,500)
Total Business-Type Activities	<u>(2,684,903)</u>	<u>(2,832,151)</u>	<u>(2,999,330)</u>	<u>(3,094,693)</u>	<u>(3,010,687)</u>	<u>(2,125,432)</u>	<u>(2,449,439)</u>	<u>(2,773,300)</u>	<u>(1,686,606)</u>	<u>(573,213)</u>
Total Primary Government	<u>7,165,093</u>	<u>7,135,292</u>	<u>7,334,295</u>	<u>7,821,418</u>	<u>8,164,164</u>	<u>9,548,582</u>	<u>9,360,045</u>	<u>8,845,410</u>	<u>8,905,500</u>	<u>12,514,197</u>
<b>Change in Net Position</b>										
Governmental Activities	(1,894,185)	(6,447,177)	2,369,459	5,381,320	(3,395,582)	(985,526)	(2,443,572)	711,799	(2,341,119)	(39,245)
Business-Type Activities	2,571,296	3,222,790	8,167,036	7,370,267	2,394,969	2,870,826	3,354,271	4,333,184	4,322,216	8,387,680
Total Primary Government	<u>\$ 677,111</u>	<u>\$ (3,224,387)</u>	<u>\$ 10,536,495</u>	<u>\$ 12,751,587</u>	<u>\$ (1,000,613)</u>	<u>\$ 1,885,300</u>	<u>\$ 910,699</u>	<u>\$ 5,044,983</u>	<u>\$ 1,981,097</u>	<u>\$ 8,348,435</u>

**Town of Front Royal, Virginia**  
Governmental Activities Tax Revenues by Source  
Last Ten Years  
(accrual basis of accounting)  
**Schedule 3**

<b>Fiscal Year</b>	<b>Property</b>	<b>Sales</b>	<b>Business and Occupational</b>	<b>Bank stock., Comm. and Franchise</b>	<b>Consumer</b>	<b>Meals and Lodging</b>	<b>Virginia PPTR</b>	<b>In Lieu of Taxes</b>	<b>Vehicle Taxes</b>	<b>Other General</b>	<b>Total</b>
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
2023	2,462,050	1,379,166	965,682	594,936	225,707	2,721,483	287,863	860,071	383,230	105,064	9,985,252



**Town of Front Royal, Virginia**  
Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)  
**Schedule 4**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 207,823	\$ 241,290	\$ 141,487	\$ 117,862	\$ 94,008	\$ 67,677	\$ 534,395	\$ 37,296	\$ 18,144	\$ 15,899
Restricted	1,900,281	2,211,133	2,462,565	2,776,030	3,224,305	3,902,819	3,506,673	6,838,401	6,212,786	1,776,887
Assigned	-	1,250,000	-	-	2,306,399	1,873,841	1,984,545	3,375,175	7,199,741	9,111,720
Unassigned	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	11,908,855
Total General Fund	8,130,510	9,287,987	10,351,431	11,021,128	12,438,785	13,013,341	14,609,672	19,511,607	19,298,094	22,813,361
All Other Governmental Funds										
Restricted	930,278	1,028,276	932,115	752,087	909,305	987,813	1,015,194	1,263,367	1,380,624	1,783,239
Assigned capital funds -	388	388	388	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	(380,375)	(447,128)	(481,106)	(494,429)	(494,422)	(353,022)	(494,822)	(371,597)	(371,597)	(494,822)
Total all other governmental funds	550,291	581,536	451,397	257,658	414,883	634,791	520,372	891,770	1,009,027	1,288,417
Total	\$ 8,680,801	\$ 9,869,523	\$ 10,802,828	\$ 11,278,786	\$ 12,853,668	\$ 13,648,132	\$ 15,130,044	\$ 20,403,377	\$ 20,307,121	\$ 24,101,778

**Town of Front Royal, Virginia**  
**Revenues, Expenditures, Change in Fund Balance - Governmental Funds**  
**Last Ten Years**  
(modified accrual basis of accounting)  
**Schedule 5**

Years ended June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes:										
Property	\$ 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	\$ 2,343,093
Sales	943,728	852,134	794,164	930,123	905,904	951,020	1,054,716	1,218,034	1,344,539	1,379,166
Business and occupational	672,494	682,756	804,677	735,679	719,089	763,876	812,015	827,597	921,215	965,682
Franchise	67,191	60,797	74,743	48,750	51,205	49,029	121,306	72,012	74,057	56,885
Consumer	164,137	222,783	181,034	225,029	183,832	232,517	227,433	225,195	236,869	225,707
Communication*	-	-	-	-	-	-	-	-	-	118,864
Vehicle	357,359	362,923	368,894	365,261	375,976	377,554	390,178	378,663	385,138	376,703
Bank stock	217,523	242,410	214,201	237,415	321,606	319,706	251,478	250,993	422,070	435,411
Meals and lodging	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	2,721,483
Permits, fees, and licenses	26,251	25,410	30,739	29,534	40,747	31,695	43,230	30,669	32,485	53,570
Fines and forfeitures	157,767	172,406	160,047	160,643	238,207	290,829	161,939	154,521	128,665	160,141
Unrestricted investment earnings	77,835	65,337	65,457	33,784	63,053	295,260	250,609	34,604	(211,836)	274,442
Charges for services	37,924	34,715	42,257	41,280	55,599	52,077	3,341	23,071	(10,354)	396,882
Miscellaneous	108,115	134,385	62,886	41,272	20,803	3,627	21,548	45,818	43,147	67,065
Recovered costs	199,693	7,320	28,606	6,712	9,379	7,383	9,301	6,556	6,209	14,381
Payment in lieu of taxes	407,661	389,041	403,582	516,858	651,780	730,871	753,655	805,142	780,924	860,071
Intergovernmental	2,623,441	2,662,970	8,017,038	10,530,624	7,103,343	9,261,634	3,161,355	8,214,955	3,277,123	3,102,731
<b>Total Revenues</b>	<b>9,403,699</b>	<b>9,415,550</b>	<b>14,884,933</b>	<b>17,690,081</b>	<b>14,637,237</b>	<b>17,457,169</b>	<b>11,477,903</b>	<b>16,745,631</b>	<b>12,266,175</b>	<b>13,552,277</b>
<b>Expenditures</b>										
General government										
Legislative	171,338	176,283	313,478	252,619	220,857	235,441	199,262	169,258	156,787	184,451
Executive	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	2,238,813
Legal	362,454	369,080	344,280	333,082	366,770	347,002	513,870	483,386	466,169	330,148
Finance	811,502	811,792	829,531	713,821	825,740	837,058	881,457	887,636	858,753	910,277
Public safety	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	5,276,445
Planning, zoning, and community development	647,358	663,734	1,017,748	1,190,229	998,714	891,646	880,546	1,730,175	589,738	652,808
Public works and engineering	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	1,958,598
Parks and recreation	20,000	-	-	-	-	-	-	-	-	-
Nondepartmental	570,287	573,853	498,430	553,160	553,102	552,285	465,585	628,718	556,765	726,638
Capital outlay	-	-	-	-	-	-	-	-	-	2,687,327
Debt Service										
Principal	-	-	-	-	-	44,858	69,917	8,492,576	285,129	292,482
Interest	-	-	-	-	-	14,454	25,337	144,456	176,510	169,157
<b>Total Expenditures</b>	<b>11,170,811</b>	<b>11,178,413</b>	<b>17,145,273</b>	<b>20,636,623</b>	<b>16,759,730</b>	<b>20,363,032</b>	<b>13,128,659</b>	<b>22,827,362</b>	<b>13,367,027</b>	<b>15,427,144</b>
Excess of Revenues Over (Under) Expenditures	(1,767,112)	(1,762,863)	(2,260,340)	(2,946,542)	(2,122,493)	(2,905,863)	(1,650,756)	(6,081,731)	(1,100,852)	(1,874,867)
<b>Other Financing Sources (Uses)</b>										
Transfers in	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	5,514,912
Transfers out	-	(28,490)	-	-	-	-	(672,980)	(680,900)	(2,221,725)	(2,385,412)
Bond & Loan proceeds	-	-	-	-	-	-	-	8,483,001	-	2,450,000
Other sources	-	-	-	-	542,375	569,327	2,668	8,207	33,129	90,024
<b>Total Other Financing Sources (Uses)</b>	<b>2,859,710</b>	<b>2,951,585</b>	<b>3,193,645</b>	<b>3,422,500</b>	<b>3,697,375</b>	<b>3,700,327</b>	<b>3,132,668</b>	<b>11,355,064</b>	<b>1,004,596</b>	<b>5,669,524</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,092,598</b>	<b>\$ 1,188,722</b>	<b>\$ 933,305</b>	<b>\$ 475,958</b>	<b>\$ 1,574,882</b>	<b>\$ 794,464</b>	<b>\$ 1,481,912</b>	<b>\$ 5,273,333</b>	<b>\$ (96,256)</b>	<b>\$ 3,794,657</b>
Debt Service as a Percentage of Non Capital Expenditures (1)	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.78%	40.06%	3.85%	3.62%
Notes										
(1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues, expenditures, and changes in fund balance										
* Communication tax and capital outlay were reclassified into its own respective categories effective 2023										

**Town of Front Royal, Virginia**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Years  
**Schedule 6**

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
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
2023	1,798,660,621	16,745,300	1,815,405,921	1,815,405,921	0.100	137,567,090	22,340,855	8,090,820	167,998,765	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 Years  
**Schedule 7**

Fiscal Year	Town Direct Rates				Overlapping Rates				Total Direct and Overlapping Rates			
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Real Estate	Personal Property	Machinery Tools	Mobile Homes	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
2014	0.130	0.640	0.640	0.130	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	0.600	4.000	1.950	0.600	0.730	4.640	2.590	0.730
2016	0.130	0.640	0.640	0.130	0.620	4.000	1.950	0.595	0.750	4.640	2.590	0.725
2017	0.135	0.640	0.640	0.135	0.650	4.000	1.950	0.650	0.785	4.640	2.590	0.785
2018	0.135	0.640	0.640	0.135	0.660	4.000	2.050	0.660	0.795	4.640	2.690	0.795
2019	0.135	0.640	0.640	0.135	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2020	0.130	0.640	0.640	0.130	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2021	0.130	0.640	0.640	0.130	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2022	0.130	0.640	0.640	0.130	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2023	0.100	0.640	0.640	0.100	0.555	3.160	2.050	0.655	0.655	3.800	2.690	0.755

Source: Town of Front Royal and Warren County

**Town of Front Royal, Virginia**  
Principal Property Tax Payers  
Current Year and 2014  
**Schedule 8**

2023			2014		
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	\$ 17,875,000	0.98%	Boisseau Family, L.C.	\$ 20,022,000	1.75%
IVQ Front Royal Propco LLC	11,917,800	0.65%	Gateway Plaza Shopping Cetner	8,389,500	0.73%
Shenandoah Commons Apartments	11,247,500	0.62%	Shenandoah Square LP	8,124,600	0.71%
Royal Arms Associates	10,021,400	0.55%	MCAP Southerlands, LLC	7,276,600	0.63%
HWA Enterprises	9,737,200	0.53%	HLI Endowment, Inc.	6,754,400	0.59%
Gateway Plaza Shopping Center	8,590,100	0.47%	Ramsey, Inc.	6,754,400	0.57%
HLI Endowment Inc	7,108,200	0.39%	HWA Enterprises	5,967,400	0.52%
F & R Limited Partnership	6,393,600	0.35%	Corr Family Real Estate, LLC	5,699,200	0.50%
Corr Family Real Estate LLC	5,363,800	0.29%	Royal Arms Associates	5,442,500	0.47%
Fairfield Lynn Limited	5,075,200	0.28%	Royal Hills Limited Partnership	4,256,100	0.37%
Total	<u>\$ 93,329,800</u>	<u>5.11%</u>		<u>\$ 78,686,700</u>	<u>6.85%</u>

Source: Warren County Property Assessor's Office

**Town of Front Royal, Virginia**  
**Property Tax Levies and Collections**  
**Last Ten Years**  
**Schedule 9**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Subsequent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Total Collection as Percent of Current Levy</b>
2014	\$ 2,084,048	\$ 1,042,874	50.04%	\$ 1,036,607	\$ 2,079,481	99.78%
2015	2,153,232	1,096,456	50.92%	1,051,851	2,148,307	99.77%
2016	2,119,854	1,067,015	50.33%	1,046,640	2,113,655	99.71%
2017	2,253,175	1,158,124	51.40%	988,453	2,146,577	95.27%
2018	2,342,677	1,243,129	53.06%	983,097	2,226,226	95.03%
2019	2,544,157	1,299,343	51.07%	1,099,352	2,398,695	94.28%
2020	2,482,110	1,161,873	46.81%	1,143,460	2,305,333	92.88%
2021	2,251,758	1,373,473	61.00%	651,886	2,025,359	89.95%
2022	2,554,803	1,106,225	43.30%	1,132,281	2,238,506	87.62%
2023	2,847,467	1,447,317	50.83%	-	1,447,317	50.83%

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.

**Town of Front Royal, Virginia**  
Ratio of Outstanding Debt by Type  
Last Ten Years  
**Schedule 10**

Fiscal Year	Governmental Activities		Business Type Activities		Total Primary Government	Personal Income(1)	Debt to Personal Income	Population(1)	Debt Per Capita
	Notes Payable	General Obligation Bonds	Notes Payable	General Obligation Bonds					
2014	\$ -	\$ -	\$ -	\$ 13,957,382	\$ 13,957,382	\$ 700,492,000	1.83%	15,127	\$ 923
2015	-	-	-	16,021,362	16,021,362	702,210,000	2.14%	15,545	1,031
2016	-	-	-	32,121,015	32,121,015	723,276,000	4.31%	14,709	2,184
2017	-	-	-	46,677,491	46,677,491	727,056,000	6.42%	15,153	3,080
2018	3,224,745	-	-	47,534,476	50,759,221	729,179,000	6.96%	15,006	3,383
2019	9,125,347	-	158,606	45,256,686	54,540,639	755,433,000	7.22%	15,221	3,583
2020	9,055,429	-	123,186	40,667,387	49,846,002	778,096,000	6.41%	15,053	3,311
2021	8,973,754	-	87,802	37,948,088	47,009,644	785,877,000	5.98%	15,382	3,056
2022	8,688,626	-	52,418	35,183,790	43,924,834	793,736,000	5.53%	15,214	2,887
2023	8,396,144	2,450,000	17,034	32,381,896	43,245,074	957,524,305	4.52%	15,263	2,833

NOTES:

(1) Source: U.S. Census Bureau

**Town of Front Royal, Virginia**  
Ratio of General Bonded Debt Outstanding  
Last Ten Years  
**Schedule 11**

Fiscal Year	General Obligation Bonds		Total Primary Government	Assessed Value	Percentage of Actual Taxable Value of Property	Population	Per Capita
	Governmental Activities	Business-Type Activities					
2014	\$ -	\$ 13,957,382	\$ 13,957,382	\$ 1,253,840,745	1.11%	15,127	\$ 923
2015	-	16,021,362	16,021,362	1,281,408,430	1.25%	15,545	1,031
2016	-	32,121,015	32,121,015	1,289,770,300	2.49%	14,709	2,184
2017	-	46,677,491	46,677,491	1,295,598,440	3.60%	15,153	3,080
2018	-	47,534,476	47,534,476	1,304,386,315	3.64%	15,006	3,168
2019	-	45,256,686	45,256,686	1,446,864,285	3.13%	15,221	2,973
2020	-	40,667,387	40,667,387	1,456,810,630	2.79%	15,053	2,702
2021	-	37,948,088	37,948,088	1,483,759,415	2.56%	15,382	2,467
2022	-	35,183,790	35,183,790	1,617,363,805	2.18%	15,214	2,313
2023	2,450,000	32,381,896	34,831,896	1,983,404,686	1.76%	15,263	2,282



**Town of Front Royal, Virginia**  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2023  
**Schedule 12**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Warren County	\$ 114,006,639		
Warren County School Board	<u>9,099,540</u>		
Subtotal, overlapping debt	<u>123,106,179</u>	49%	60,322,028
<b>Town of Front Royal (direct debt)</b>	<u>10,846,144</u>	100%	<u>10,846,144</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 71,168,172</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 Years  
**Schedule 13**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 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	\$ 181,540,592
Net debt applicable to limit	12,835,000	13,955,241	-	-	3,224,745	9,125,347	9,055,429	8,973,755	8,688,626	10,846,144
Legal debt margin	<u>\$ 101,803,394</u>	<u>\$ 103,355,373</u>	<u>\$ 117,540,445</u>	<u>\$ 117,959,718</u>	<u>\$ 115,222,350</u>	<u>\$ 122,943,693</u>	<u>\$ 123,909,639</u>	<u>\$ 125,350,625</u>	<u>\$ 134,535,554</u>	<u>\$ 170,694,448</u>
Net debt applicable to the limit as the percent of the debt limit	11%	12%	0%	0%	3%	7%	7%	7%	6%	6%

**Town of Front Royal, Virginia**  
Pledged Revenue Coverage - Business-type Debt Service  
Last Ten Years  
**Schedule 14**

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2023	34,673,593	23,020,365	11,653,228	2,744,264	226,126	2,970,390	3.92

(1) Gross revenue includes operating revenues and investment earnings

(2) Total operating expenses exclusive of depreciation

**Town of Front Royal, Virginia**  
Demographic and Economic Statistics  
Last Ten Years  
**Schedule 15**

<b>Year</b>	<b>Estimated Population</b>	<b>Personal Income (in thousands)</b>	<b>Household Median Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2014	15,127	\$ 700,492	\$ 46,307	\$ 26,129	DNA	DNA	5,493	5.60%
2015	15,545	702,210	46,421	DNA	DNA	DNA	5,318	4.80%
2016	14,709	723,276	46,609	DNA	DNA	DNA	5,325	4.80%
2017	15,153	727,056	47,981	24,733	40	DNA	5,433	3.80%
2018	15,006	729,179	48,270	17,907	39	12	5,136	3.80%
2019	15,221	755,433	49,631	25,361	38	12	5,385	3.10%
2020	15,053	778,096	52,717	26,051	37	12	5,298	7.50%
2021	15,382	785,877	51,871	25,832	37	12	5,372	4.70%
2022	15,214	793,736	51,675	27,142	38	12	5,161	3.50%
2023	15,263	957,524	62,735	30,837	38	12	5,165	4.60%

\*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 2014  
**Schedule 16**

<b>2023</b>			<b>2014</b>		
<b>Employer</b>	<b>Employees</b>	<b>% of Total</b>	<b>Employer</b>	<b>Employees</b>	<b>% of Total</b>
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 Services	530	7%
Walmart	300-450	6%	Baugh Northeast, Inc.	500	6%
Ferguson Enterprises, Inc.	300-450	5%	E.I. Dupont De Nemours & Company	435	6%
Family Dollar Services	300-450	5%	Ferguson Enterprises, Inc.	400	5%
Sysco Resources Services LLC	300-450	4%	Interbake Foods, LLC	350	5%
Axalta Coatings Systems USA LLC	300-450	3%	Warren County	280	4%
Interbake Foods, LLC	100-350	3%	FDR Services	200	3%
Christendom College	100-350	2%	RSW Regional Jail	140	2%

Source: Estimates from the Virginia Employment Commission

**Town of Front Royal, Virginia**  
Full-Time Equivalent Town Government Employees by Function/Program  
Last Ten Years  
**Schedule 17**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function/Program</b>										
General Government	37	38	38	38	39	44	44	40	41	43
Police Protection	49	49	51	52	53	52	52	52	53	53
Highway - Streets	16	16	16	16	15	15	15	15	15	15
Sanitation	14	14	14	12	15	13	13	13	12	12
Water	15	18	18	18	18	17	18	17	16	16
Sewer	16	16	17	17	17	16	17	17	16	16
Electrical	15	15	17	17	17	17	17	17	16	15
Total	162	166	171	170	174	174	176	171	169	170

**Town of Front Royal, Virginia**  
Operating Indicators by Function/Program  
Last Ten Years  
**Schedule 18**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function/Program</b>										
Public Safety										
Police										
Physical arrests	1,217	947	837	952	1,414	1,067	1,030	948	900	1,003
Parking violations	190	12	64	154	133	158	212	163	195	233
Traffic violations	1,676	2,632	2,239	2,394	3,922	3,854	2,547	2,354	1,674	1,882
Wastewater										
New service connections	8	30	52	80	75	45	31	54	31	19
Average daily treatment in gallons	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	4,473,000
Water System										
New connections	9	34	51	78	75	45	30	53	30	18
Average daily consumption	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	1,195,000
Electric Distribution										
New Connections	20	27	26	23	26	26	28	38	20	24
Average daily KWH consumption	516,708	517,114	523,681	535,984	568,064	554,085	511,463	520,665	525,872	465,605
Sanitation										
Refuse collected (tons/day)	23	24	24	46	56	42	22	25	23	25
Recyclables collected (tons/day)	1.61	1.62	1.73	1.73	1.65	1.82	2.36	1.29	1.40	1.31
Highway and Streets										
Repair services	253	151	176	272	226	252	217	135	127	97
Street resurfacing (miles)	15.61	5.00	3.00	1.40	1.03	1.30	0.91	-	1.68	4.50

**Town of Front Royal, Virginia**  
**Capital Asset Statistics by Function**  
**Last Ten Years**  
**Schedule 19**

Years ended June 30,	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function/Program</b>										
Public Safety										
Police										
Stations	2	2	2	2	2	1	1	1	1	1
Patrol Units	20	26	25	26	26	38	38	27	24	26
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	138	132	132	132	137	137	138	138	144	144
Streetlights	1,470	1,505	1,871	1,969	1,975	1,977	1,976	1,978	1,981	1,977
Traffic signals	14	14	14	16	16	15	16	16	16	16
Culture and Recreation										
Community centers	1	2	2	2	2	2	2	2	2	2
Parks	12	20	20	23	23	23	20	20	20	20
Park acreage	125	400	400	400	400	400	400	400	400	400
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	6	6	6	6	6	6	6	6	6
Sewer System										
Sanitary sewers (miles)	198	198	198	124	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	5,000,000	6,520,000	5,300,000	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	687	712	712	722	724	737	739	753
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	145	151	152	152	159	159	159	160
Distribution stations	4	5	5	5	5	5	5	5	5	5
Sanitation										
Collection Trucks	5	8	8	8	8	6	6	5	5	5