

TOWN OF FRONT ROYAL, VIRGINIA

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**PREPARED BY THE
DEPARTMENT OF FINANCE
KIM GILKEY-BREEDEN
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 15,545.

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 Manger also serves as Town Treasurer and is responsible for the financial operations of the Town. The Town Council appoints the Clerk of the Town Council and Town Attorney. The department directors are appointed by and are under the supervision of the Town Manager.

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

**TOWN OF FRONT ROYAL, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

<hr/>		
INTRODUCTORY SECTION		
<hr/>		
	Letter of Transmittal	1 - 5
	GFOA Certificate of Achievement	6
	Organizational Chart	7
	List of Town Council and Principal Officials	8
<hr/>		
FINANCIAL SECTION		
<hr/>		
	Independent Auditor's Report	9 – 10
	Management's Discussion & Analysis	11 - 19
	Basic Financial Statements	
	Government-wide Financial Statements	
Exhibit I	Statement of Net Position	20
Exhibit II	Statement of Activities	21
	Fund Financial Statements	
	Governmental Funds	
Exhibit III	Balance Sheet	22
Exhibit IV	Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Exhibit V	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	24
Exhibit VI	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	25
	Proprietary Funds	
Exhibit VII	Statement of Net Position	26 - 27
Exhibit VIII	Statement of Revenues, Expenses, and Changes in Net Position	28 - 29
Exhibit IX	Statement of Cash Flows	30
	Notes to Financial Statements	31 – 75
	Supplementary Information	
	General Fund	
Schedule 1	Schedule of Revenue and Other Financing Sources – Budget and Actual	76 - 77
Schedule 2	Schedule of Expenditures - Budget and Actual	78 - 81
	Combining and Individual Fund Statements and Schedules	
	Non-Major Governmental Funds	
Schedule 3	Combining Balance Sheet	82
Schedule 4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83
	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - Special Revenue Funds	
Schedule 5	Asset Seizures	84
Schedule 6	Economic Development	85
Schedule 7	Community/Neighborhood	86
	Other Supplementary Schedules	
Schedule 8	Schedule of Director of Finance's Accountability	87
Schedule 9	Statement of the Director of Finance's Computation Accountability to the Town	88
Schedule 10	Computation of Legal Debt Margin	89

**TOWN OF FRONT ROYAL, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

STATISTICAL SECTION

Financial Trends

Table I	Net Position by Component	90
Table II	Changes in Net Position	91 - 92
Table III	Governmental Activities Tax Revenue by Source	93
Table IV	Fund Balances of Governmental Funds	94
Table V	Changes in Fund Balances of Governmental Funds	95

Revenue Capacity

Table VI	Assessed Value and Estimated Actual Value of Taxable Property	96
Table VII	Property Tax Rates - Direct and Overlapping Governments	97
Table VIII	Principal Property Taxpayers	98
Table IX	Property Tax Levies and Collections	99

Debt Capacity

Table X	Ratio of Outstanding Debt by Type	100
Table XI	Ratio of General Bonded Debt Outstanding	101
Table XII	Direct and Overlapping Governmental Activities Debt	102
Table XIII	Legal Debt Margin Information	103
Table XIV	Pledged - Revenue Coverage	104

Demographic and Economic Information

Table XV	Demographic and Economic Statistics	105
Table XVI	Principal Employers	106

Operating Information

Table XVII	Full-time Equivalent Town Government Employees by Function/Program	107
Table XVIII	Operating Indicators by Function/Program	108
Table XIX	Capital Asset Statistics by Function/Program	109

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Specifications for Audits of Counties, Cities and Towns</i>	110
---	-----

INTRODUCTORY SECTION



TOWN OF FRONT ROYAL
OFFICE OF THE TOWN MANAGER
ADMINISTRATION BUILDING
P.O. BOX 1560
FRONT ROYAL, VIRGINIA 22630-1560

STEVEN M. BURKE, PE
Town Manager
(540) 635-8007
(540) 636-7475 (Fax)
sburke@frontroyalva.com

October 19, 2015

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

RE: FY 2014-2015 Comprehensive Annual Financial Report (CAFR)
Letter of Transmittal

Citizens of Front Royal:

The Comprehensive Annual Financial Report (CAFR) for the Town of Front Royal for the fiscal year ending June 30, 2015 is hereby submitted for your review to gain a thorough understanding of the Town's fiscal position at the close of the fiscal year. The CAFR fulfills the requirements of the Code of Virginia and the Town's Code to complete an annual audit of the Town's financial accounts and records by a certified public accountant. The CAFR also provides informative and relevant financial data to you about how the Town operated during the 2014-2015 Fiscal Year.

Responsibility for both the accuracy of the data and all disclosures, as well as the completeness and fairness of its presentation, rests with the management of the Town. To the best of our knowledge and belief, the information provided in this report is accurate in all material respects and fairly presents the financial position of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse. It is further responsible to ensure the adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits of internal control requires estimates and judgements by management.

Based upon their audit, Mitchell & Co., P.C., a firm of licensed certified public accountants, has concluded that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ending June 30, 2015 conform to the generally accepted accounting principles and standards of financial reporting as prescribed by the Government Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). The goal of their independent audit was to provide reasonable assurance that the

financial statements of the Town for the fiscal year ending June 30, 2015 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the Town management; and evaluating the overall financial statement presentation.

Profile of the Town

Front Royal is located in Warren County in northwestern Virginia approximately seventy (70) miles west of Washington DC near the top of the Shenandoah Valley. 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. US Highways 522 and 340, and State Route 55 provide access to the Town. Major rail lines are also located along the western and northern sides of the Town. The Town covers approximately ten and one-half (10.5) square miles of area and has a population estimated at 15,038.

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, presides over the Town Council, but votes only in the event of a tie vote by the Town Council. The Town Council is comprised of six (6) members, who are elected at large to serve four-year terms. Elections for three (3) Council seats are held every two (2) years consistent with the election of the Mayor. Elections for the Mayor and Town Council seats are conducted the first Tuesday in November with the elected officials being seated 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 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 the Town Attorney are also appointed by the Town Council. The Department Heads of Finance, Energy Services, Environmental Services, Human Resources, Risk Management, Information Technology, Tourism, Public Safety, and Planning & Zoning are appointed by and operate under the supervision of the Town Manager. Services provided by the Town to our citizens include police protection, sanitation services, construction and maintenance of public streets, water distribution and sewer collection infrastructure, water and sewage treatment, electrical service, zoning inspection services, technology based communication systems, and general administrative services.

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 County. Certain services received by residents of a Town are provided by the Town with other services being provided by the County.

The Town government maintains budgetary control over its 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. Activities 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 established by function and activity within the

individual funds. 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 CAFR, the Town government continues to meet its responsibilities for sound financial management.

Economic Outlook

Located in northwestern Virginia, Front Royal has experienced a fairly stable and slightly improving economy recently. Existing property values have been stable this past year, and the Town continues to see some new home construction. The Town has attracted some new restaurant and small business development. Therefore, the Town has been successful in maintaining stable and predictable tax rates and service fees, while continuing to provide quality local government services. The Town has also been successful in limiting growth of local operating and maintenance expenditures on needed public services.

General Fund revenues continue to realize slight growth. Effective planning and prudent fiscal spending by the Town have positioned our finances for future growth. The Town will continue to monitor outside influences on our fiscal condition.

The Economic Development Authority has recently announced that two parcels on the Avtex site, the former Superfund site, have been acquired for development as a technology site and a professional office space. Continued redevelopment of the one hundred sixty (160) acres site will contribute to the Town's future economic prosperity.

The construction of the Leach Run Parkway, a partnership between the Town, County, and EDA, will also realize future residential and commercial development to add to the economy of Front Royal. The Town has also established a Community Development Director position that is soon to be filled to assist Front Royal with development.

The Town's Enterprise Funds remain stable. Award of a twelve million dollar (\$12,000,000) grant and a zero percent interest loan for the construction of the fifty million dollar (\$50,000,000) improvements to our Wastewater Treatment Plant will allow the Town to provide sewage treatment to our citizens for several decades. The Town is also completing improvements to our Water Treatment Plant to add ultra-violet treatment to our water system to enhance the quality and safety of the Town's water supply. Our Energy Services Department has recently completed construction of an electric substation to serve the Riverton area with more dependable electric service, and the Town was once again recognized for providing the lowest cost residential electric service in the Commonwealth of Virginia.

The Town is positioned for continued economic growth as we enter 2016.

Major Achievements

Completion of Riverton Electric Substation
Leach Run Parkway - Advertised Construction Contract

Avtex Site Development - IT Federal & CBM Mortgage
Main Street Extension through Avtex Site - Preliminary Design
Wastewater Treatment Plant (WWTP) Improvements - Under Construction
Water Treatment Plant (WTP) & Distribution System Improvements - Under Construction
Police Headquarters - Under Design
Town Sponsored Events - Gazebo Flicks

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Front Royal for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014. The award was the twenty-seventh (27th) consecutive year that the Town has received this prestigious award. The GFOA awards a Certificate to municipalities that exemplify excellence in financial reporting and conform to the stringent reporting requirements established by the GFOA.

A Certificate of Achievement is valid for only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit the CAFR for FY14-15 to the GFOA to determine its eligibility for continued recognition.

Comprehensive Annual Financial Report (CAFR)

The CAFR is presented in four (4) main sections: Introductory, Financial, Statistical, and Compliance.

The Introductory Section includes this Letter of Transmittal, a copy of last fiscal year's Certificate of Achievement for Excellence in Financial Reporting award by the GFOA, our Organization Chart, and a list identifying the Mayor, Town Council, and Town staff.

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), followed by the Basis Financial Statements and Supplementary Information.

The Statistical Section includes information about trends in the Town's financial position, debt capacity, and other operating information.

The Compliance Section includes Mitchells & Co., P.C.'s report on internal control procedures and compliance with auditing standards.

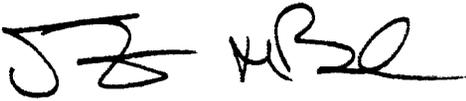
Acknowledgements

The Town of Front Royal has established and continues to maintain a stable financial position through strong, progressive management of financial operations combined with sound accounting and financial reporting practices. Appreciation is expressed to the Mayor and members of Town Council for their support and guidance in the management of Town finances, as well as the responsible manner in which they exercise their financial stewardship of the Town.

This report could not have been prepared without the dedication of the Town's Finance Department. Their hard work, dedication, and continued efforts to improve the quality of this report directly benefits all who use this document. Special recognition is also extended to those members of the Department of Energy Services and Environmental Services who assisted the auditors in their evaluation of the inventory for both Departments. Special recognition goes to Kim Gilkey-Breeden, Director of Finance, for her technical expertise and efforts in the preparation of this CAFR.

Finally, we would like to express our appreciation to Mitchell & Co., P.C. for their guidance in this effort.

Respectfully submitted,



Steven M. Burke PE
Town Manager



Kim Gilkey-Breeden
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

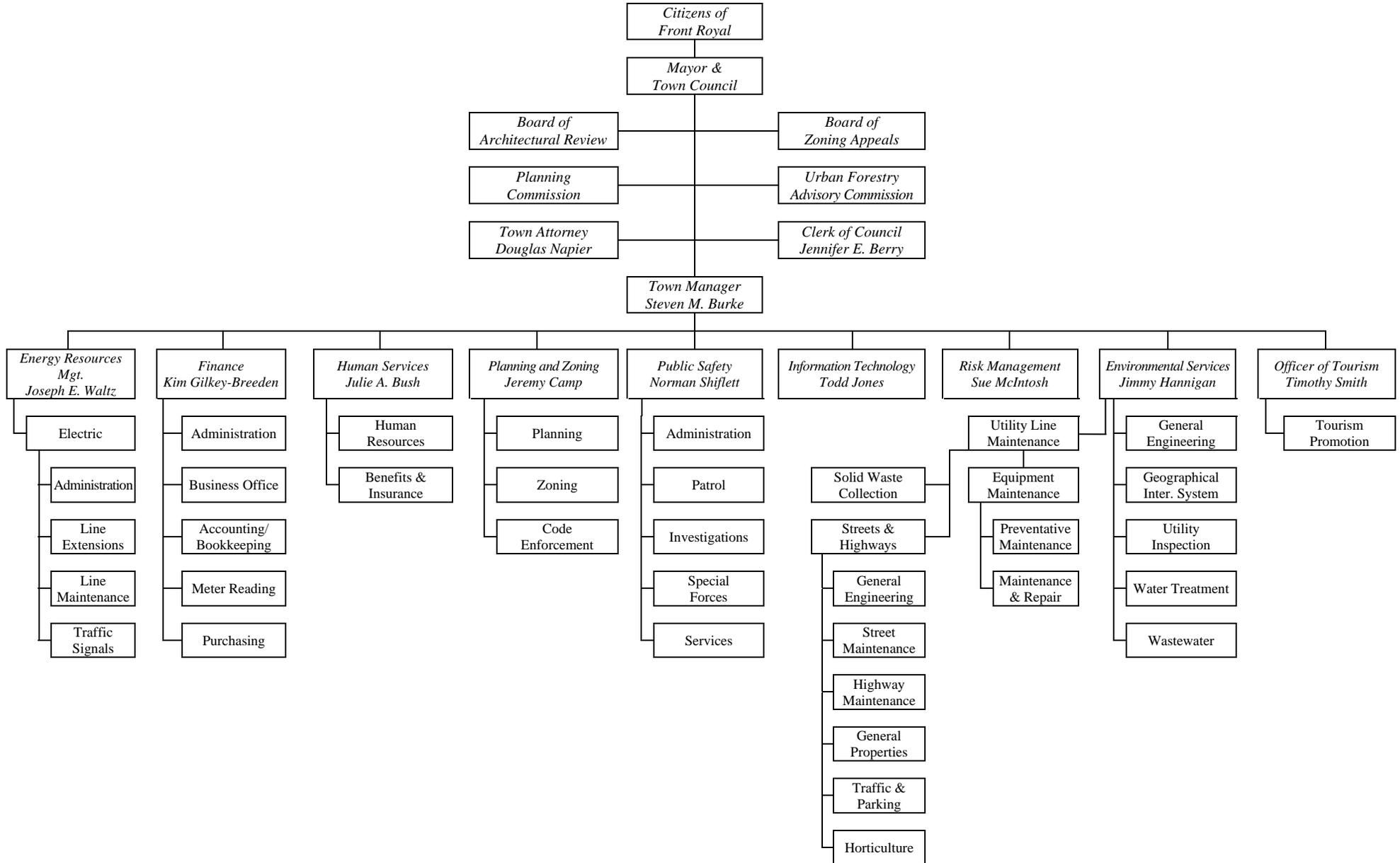
**Town of Front Royal
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**TOWN OF FRONT ROYAL
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2015**



**TOWN OF FRONT ROYAL, VIRGINIA
JUNE 30, 2015**

TOWN COUNCIL

Timothy W. Darr - Mayor
Hollis L. Tharpe - Vice Mayor
John P. Connolly
Bébhinn C. Egger
Bret W. Hrbek
Daryl Lee Funk
Eugene R. Tewalt
Hollis L. Tharpe

TOWN OFFICIALS

Town Manager	Steven M. Burke, PE
Director of Planning & Zoning	Jeremy Camp
Town Attorney	Douglas Napier
Chief of Police	Norman Shiflett
Director of Environmental Services	Jimmy Hannigan
Purchasing Agent	Cynthia A. Hartman
Director of Human Resources	Julie A. Bush
Clerk of Council	Jennifer E. Berry
Director of Finance	Kim D. Gilkey-Breeden
Director of Tourism	Timothy Smith
Director of Information Technology	Todd C. Jones
Director of Energy Services	Joseph E. Waltz
Risk Management Manager	Sue McIntosh

FINANCIAL SECTION

MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

AMANDA L. MASON, CPA
AMANDA M. HALSEY, CPA

110 EAST MARKET STREET | SUITE 200
LEESBURG, VIRGINIA 20176
P 703.777.4900 | F 703.771.3082
WWW.MCCOCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 – 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Front Royal, Virginia's basic financial statements. The accompanying information listed in the table of contents as introductory section, supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated October 19, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Front Royal, Virginia's internal control over financial reporting and compliance.

October 19, 2015
Leesburg, Virginia

Mitchell & Co., P.C.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Front Royal, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Front Royal, Virginia for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 5 of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$114,418,563. Of this amount, 19,873,211 may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$4,093,156.
- As of the close of the current fiscal year, the Town of Front Royal's governmental funds reported combined ending fund balances of \$9,869,523, an increase of \$1,188,722 in comparison with the prior year. Approximately 52% of this amount, (\$5,138,436) is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,585,564, or 52.2 percent of total general fund expenditures.
- The Town's total bonded debt increased by \$1,120,241 (8.7 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town of Front Royal that are principally supported by taxes and intergovernmental revenues, (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities). The governmental activities of the Town of Front Royal include general government, public safety, engineering and public works, planning, zoning and community development, and parks and recreation. The business-type activities of the Town include water, sewer, electricity, and solid waste management operations.

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

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 20 – 21 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 22 – 25 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric, and solid waste management funds, all of which are considered to be major funds of the Town.

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

Notes to the financial statements. The notes and required supplementary information contained in 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 and required supplementary information contained in the notes can be found on pages 31 – 75 of this report.

Supplementary Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on 76 – 86 of this report. Additional state required supplementary schedules follow the combining and individual fund statements and can be found on pages 87 – 89 of this report.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Front Royal, Virginia, assets exceeded liabilities by \$114,418,563 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (80 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a summary of the Town's net position by type of activity as of June 30, 2015 and 2014.

TOWN OF FRONT ROYAL -- NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 11,819,720	\$ 10,618,142	\$ 29,683,093	\$ 27,772,064	\$ 41,502,813	\$ 38,390,206
Capital assets	47,470,993	50,772,052	53,323,601	46,839,298	100,794,594	97,611,350
Total Assets	59,290,713	61,390,194	83,006,694	74,611,362	142,297,407	136,001,556
Deferred Outflows of Resources	593,349	-	912,657	609,500	1,506,006	609,500
Long-term liabilities	5,567,869	1,700,635	17,812,862	14,789,476	23,380,731	16,490,111
Other liabilities	287,553	372,814	3,965,295	2,105,181	4,252,848	2,477,995
Total Liabilities	5,855,422	2,073,449	21,778,157	16,894,657	27,633,579	18,968,106
Deferred Inflows of Resources	1,159,072	-	592,199	-	1,751,271	-
Net investment in capital assets	47,470,993	50,772,052	44,159,747	35,385,515	91,630,740	86,157,567
Restricted	3,239,409	2,830,559	-	-	3,239,409	2,830,559
Unrestricted	2,159,166	5,714,134	17,389,248	22,940,690	19,548,414	28,654,824
Total Net Position	\$ 52,869,568	\$ 59,316,745	\$ 61,548,995	\$ 58,326,205	\$ 114,418,563	\$ 117,642,950

An additional portion of the Town of Front Royal's net position (2.83%) represents resources that are in a nonspendable form. The remaining balance of \$28,654,824 is unrestricted net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town of Front Royal is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Town's net position increased by \$4,093,156 during the current fiscal year. 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'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities decreased the Town's net position by \$1,604,090. These changes are presented in column one of the following table and key elements of the increase are noted below:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
TOWN OF FRONT ROYAL -- CHANGES IN NET POSITION						
Revenues						
Program revenues						
Charges for services	\$ 374,236	\$ 529,750	\$ 30,234,362	\$ 27,917,275	\$ 30,608,598	\$ 28,447,025
Operating grants & contributions	2,094,216	2,047,240	-	-	2,094,216	2,047,240
Capital grants & contributions	29,357	32,554	474,457	-	503,814	32,554
General revenues						
Property taxes	1,846,740	1,788,416	-	-	1,846,740	1,788,416
Other taxes	5,103,781	5,124,035	-	-	5,103,781	5,124,035
Investment earnings	65,337	77,835	119,434	174,807	184,771	252,642
Total revenues	9,513,667	9,599,830	30,828,253	28,092,082	40,341,920	37,691,912
Expenses						
General government	3,356,075	3,610,966	-	-	3,356,075	3,610,966
Public safety	4,071,072	4,256,684	-	-	4,071,072	4,256,684
Engineering and public works	2,351,087	2,152,085	-	-	2,351,087	2,152,085
Planning and zoning	700,053	720,592	-	-	700,053	720,592
Parks and recreation	-	22,344	-	-	-	22,344
Interest on long-term debt	-	-	-	-	-	-
Infrastructure depreciation	3,591,055	3,591,054	-	-	3,591,055	3,591,054
Electric	-	-	14,906,428	15,469,985	14,906,428	15,469,985
Water	-	-	3,042,885	3,075,201	3,042,885	3,075,201
Sewer	-	-	3,387,659	3,186,205	3,387,659	3,186,205
Solid waste management	-	-	842,450	929,685	842,450	929,685
Total expenses	14,069,342	14,353,725	22,179,422	22,661,076	36,248,764	37,014,801
Increase (decrease) in net position before transfers	(4,555,675)	(4,753,895)	8,648,831	5,431,006	4,093,156	677,111
Transfers	2,951,585	2,859,710	(2,951,585)	(2,859,710)	-	-
Increase (decrease) in net position	(1,604,090)	(1,894,185)	5,697,246	2,571,296	4,093,156	677,111
Net position – 07/01/2014	59,316,745	61,210,930	58,326,205	55,754,909	117,642,950	116,965,839
GASB Statement No. 68 Reporting	(4,843,087)	-	(2,474,456)	-	(7,317,543)	-
Net position – 06/30/2015	\$ 52,869,568	\$ 59,316,745	\$ 61,548,995	\$ 58,326,205	\$ 114,418,563	\$ 117,642,950

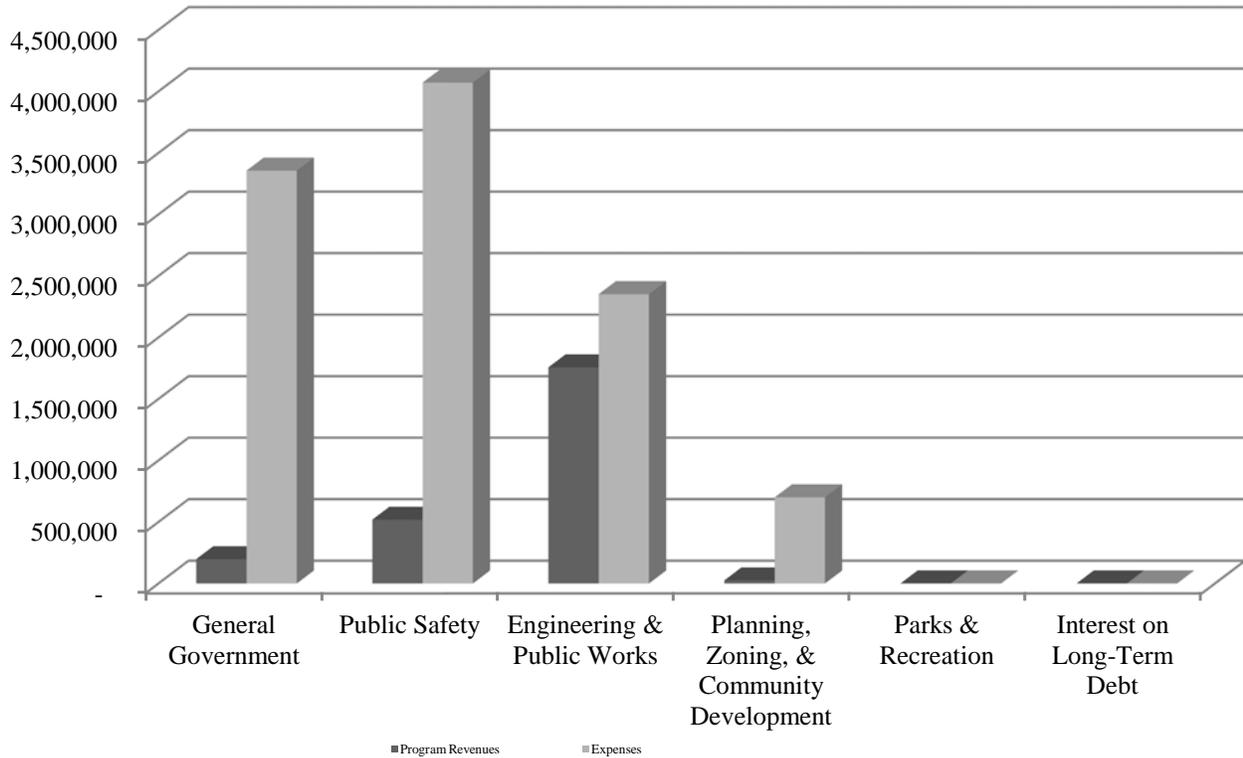
- Depreciation on infrastructure.

TOWN OF FRONT ROYAL, VIRGINIA

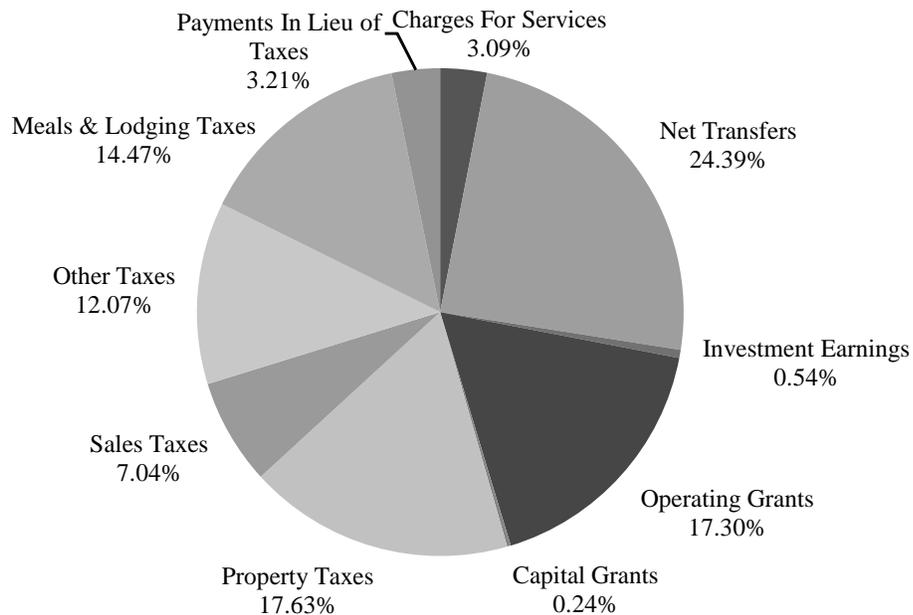
MANAGEMENT’S DISCUSSION AND ANALYSIS

The following charts present a graphic representation of the Town’s governmental activities and the related revenue structure for fiscal year 2015.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



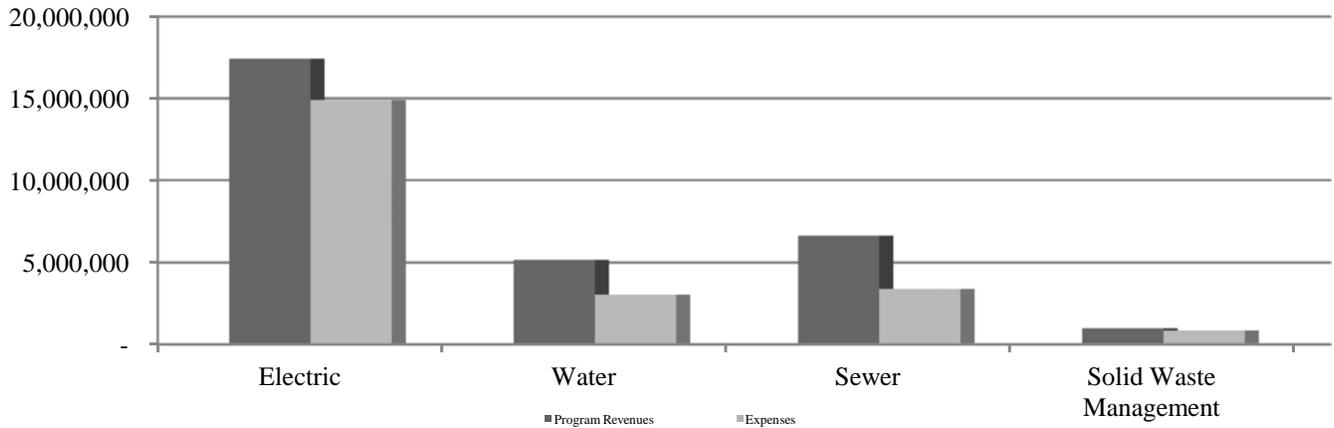
TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

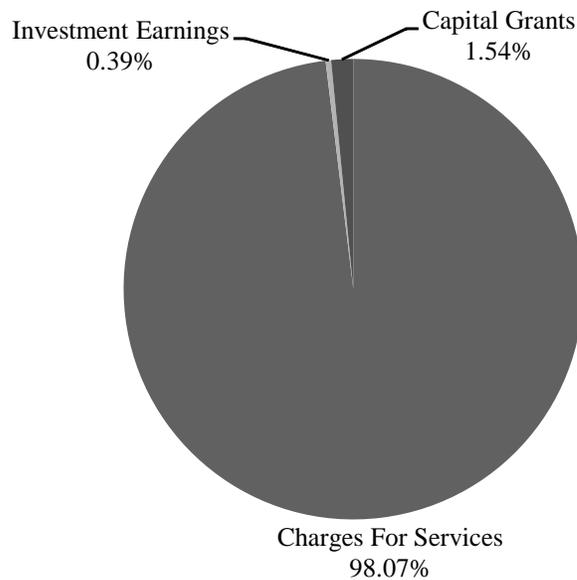
Business-type activities. Business-type activities increased the Town of Front Royal, Virginia’s net position by \$5,697,246. Key elements of this increase are as follows:

- Water and sewer sales increased 24.06% from the prior year.

EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Front Royal's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Front Royal itself, or group that has been delegated authority to assign resources for use for particular purposes by the Town of Front Royal's Council.

As of the end of the current fiscal year, the Town of Front Royal, Virginia's governmental funds reported combined ending fund balances of \$9,869,523, an increase of \$1,188,722 in comparison with the prior year. Approximately 52.06% of this total amount, \$5,318,436 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance represents funds in nonspendable form (\$241,290), restricted by third parties (\$3,239,409), and assigned by the Town for specific purposes (\$1,250,388).

The general fund is the chief operating fund of the Town of Front Royal, Virginia. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,585,564, while total fund balance reached \$9,287,987. 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 52.22 percent of total general fund expenditures, while total fund balance represents 86.8 percent of that same amount.

The fund balance of the Town's general fund increased by \$1,157,477 during the current fiscal year. Key factors in this increase are as follows:

- Budgeted public works and engineering funds were not spent.

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

Net position of the water, sewer and solid waste management functions at the end of the year amounted to \$43,813,244 and those for the electric function amounted to \$17,735,751. The total increase in net position for all enterprise funds was \$5,697,246. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Additional net appropriations increases between the original budget and the final amended budget totaled \$963,888 and are noted as follows: a \$99,100 increase in Legislative; a \$3,443 decrease in Executive; a \$7,650 increase in Legal; a \$104,950 increase in Planning, Zoning and Community Development; a \$62,642 increase in Police Department; a \$642,989 increase in Public Works and Engineering; and, an increase in Non-departmental of \$50,000.

Actual general fund revenues exceeded budgeted revenues by \$234,604. The variance relates primarily to other local taxes received in excess of budgeted amounts. Actual general fund expenditures were less than budgeted expenditures by \$1,667,325. The variance relates primarily to less capital outlays and contractual service costs than budgeted.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The Town of Front Royal, Virginia’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$100,794,594 (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 3.26%. Major capital assets events during the current fiscal year included the following:

- General building improvements of \$499,823.
- Vehicle and equipment purchases of \$634,876.
- Electric system, water and sewer plant expansion and facilities improvements of \$8,092,543.

The table below summarizes the capital assets of the Town at June 30, 2015 and 2014.

TOWN OF FRONT ROYAL - CAPITAL ASSETS (NET OF DEPRECIATION)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,334,786	\$ 1,350,986	\$ 1,488,822	\$ 1,488,822	\$ 2,823,608	\$ 2,839,808
Buildings and Improvements	7,401,689	7,106,230	27,358,312	20,212,871	34,760,001	27,319,101
Utility distribution systems	-	-	23,312,899	24,001,277	23,312,899	24,001,277
Vehicles	290,880	269,996	536,795	557,754	827,675	827,750
Machinery and Equipment	593,168	603,315	626,773	578,574	1,219,941	1,181,889
Infrastructure	37,850,470	41,441,525	-	-	37,850,470	41,441,525
Total	\$47,470,993	\$ 50,772,052	\$ 53,323,601	\$ 46,839,298	\$100,794,594	\$ 97,611,350

Additional information on the Town of Front Royal’s capital assets can be found in Note IV. E. on pages 45 – 46 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Front Royal, Virginia had total bonded debt outstanding of \$13,955,241. All of this amount comprises debt backed by the full faith and credit of the government even though all bonded debt will be repaid from enterprise fund revenue.

TOWN OF FRONT ROYAL -- OUTSTANDING DEBT (GENERAL OBLIGATION BONDS)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ -	\$ -	\$ 13,955,241	\$ 12,835,000	\$ 13,955,241	\$ 12,835,000

The Town of Front Royal’s total debt increased by \$1,120,241 (8.7 percent) during the current fiscal year. The majority of the debt is \$9,870,000 in general obligation bonds in the Water Fund. The reason for the increase is the issuance of new debt.

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

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$103,355,373 which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town of Front Royal's long-term debt can be found in note IV. G. on pages 47 – 49 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town of Front Royal is currently 4.8 percent, which is 0.8 percent lower in comparison to prior year.
- This compares to the state's average unemployment rate of 4.9 percent and favorably to the national average rate of 5.3 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town of Front Royal, Virginia's budget for the 2015 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund was \$5,585,564. Town of Front Royal has not appropriated any of this amount for spending in the 2016 fiscal year budget. It is available to offset the need for additional resources to be generated by the general fund.

Requests for Information

This report is designed to provide a general overview of the Town of Front Royal's finances for all those with an interest in the government's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Director of Finance, 102 East Main Street, P.O. Box 1560, Front Royal, Virginia 22630-1560.

TOWN OF FRONT ROYAL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,899,403	\$ 12,625,166	\$ 23,524,569
Investments	-	4,567,146	4,567,146
Receivables (net of allowance for uncollectibles, where applicable)			
Delinquent taxes, including penalties	1,694,062	-	1,694,062
Accrued interest	-	-	-
Accounts	-	2,981,373	2,981,373
Other	70,554	750,345	820,899
Internal balances	(1,483,165)	1,483,165	-
Due from other governments	397,576	-	397,576
Inventories and other assets	241,290	1,340,746	1,582,036
Temporarily restricted assets - cash and cash equivalents			
Customer deposits	-	430,449	430,449
Bond funds	-	5,504,703	5,504,703
Capital assets (net of accumulated depreciation)			
Land	1,334,786	1,488,822	2,823,608
Buildings and improvements	7,401,689	27,358,312	34,760,001
Utility distribution systems	-	23,312,899	23,312,899
Vehicles	290,880	536,795	827,675
Machinery and equipment	593,168	626,773	1,219,941
Infrastructure	37,850,470	-	37,850,470
Total Assets	59,290,713	83,006,694	142,297,407
Deferred Outflows of Resources			
Deferred charge on refunded debt	-	609,500	609,500
Deferred pension obligation	593,349	303,157	896,506
Total Deferred Outflows	593,349	912,657	1,506,006
Liabilities			
Accounts payable	287,553	3,186,218	3,473,771
Accrued interest payable	-	137,961	137,961
Bank advances	-	210,667	210,667
Liabilities payable with restricted assets	-	430,449	430,449
Noncurrent liabilities			
Due within one year	718,232	863,109	1,581,341
Due in more than one year	4,849,637	16,949,753	21,799,390
Total Liabilities	5,855,422	21,778,157	27,633,579
Deferred Inflows of Resources			
Deferred pension inflow	1,159,072	592,199	1,751,271
Net Position			
Net investment in capital assets	47,470,993	44,159,747	91,630,740
Restricted for:			
Streets and highways	2,211,133	-	2,211,133
Capital outlays	90,098	-	90,098
Community development	938,178	-	938,178
Unrestricted	2,159,166	17,389,248	19,548,414
Total Net Position	\$ 52,869,568	\$ 61,548,995	\$ 114,418,563

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

**TOWN OF FRONT ROYAL, VIRGINIA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 3,356,075	\$ 168,283	\$ -	\$ 29,357	\$ (3,158,435)	\$ -	\$ (3,158,435)
Public safety	4,071,072	179,726	338,352	-	(3,552,994)	-	(3,552,994)
Engineering and public works	2,351,087	817	1,755,864	-	(594,406)	-	(594,406)
Planning, zoning, and community development	700,053	25,410	-	-	(674,643)	-	(674,643)
Parks and recreation	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Infrastructure depreciation - unallocated	3,591,055	-	-	-	(3,591,055)	-	(3,591,055)
Total governmental activities	14,069,342	374,236	2,094,216	29,357	(11,571,533)	-	(11,571,533)
Business-type activities							
Electric	14,906,428	17,435,092	-	-	-	2,528,664	2,528,664
Water	3,042,885	5,170,326	-	-	-	2,127,441	2,127,441
Sewer	3,387,659	6,644,753	-	474,457	-	3,731,551	3,731,551
Solid Waste Mangement	842,450	984,191	-	-	-	141,741	141,741
Total business-type activities	22,179,422	30,234,362	-	474,457	-	8,529,397	8,529,397
Total primary government	\$ 36,248,764	\$ 30,608,598	\$ 2,094,216	\$ 503,814	(11,571,533)	8,529,397	(3,042,136)
General Revenues							
					1,846,740	-	1,846,740
					852,134	-	852,134
					682,756	-	682,756
					303,207	-	303,207
					170,799	-	170,799
					222,783	-	222,783
					1,751,540	-	1,751,540
					287,000	-	287,000
					389,041	-	389,041
					362,923	-	362,923
					81,598	-	81,598
					65,337	119,434	184,771
					2,951,585	(2,951,585)	-
					9,967,443	(2,832,151)	7,135,292
						(1,604,090)	5,697,246
						59,316,745	58,326,205
						(4,843,087)	(2,474,456)
						\$ 52,869,568	\$ 61,548,995
						\$ 114,418,563	\$ 114,418,563

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

TOWN OF FRONT ROYAL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 10,175,809	\$ 723,594	\$ 10,899,403
Investments	-	-	-
Receivables (net of allowance for uncollectibles, where applicable)			
Delinquent taxes, including penalties	1,691,192	2,870	1,694,062
Other	70,554	-	70,554
Due from other governments	397,576	-	397,576
Interfund advances	49,915	4,888	54,803
Inventories and other assets	241,290	-	241,290
Total Assets	12,626,336	731,352	13,357,688
Liabilities, Deferred Inflows and Fund Balances			
Liabilities			
Accounts payable	115,230	-	115,230
Banking advances	-	-	-
Accrued liabilities	172,323	-	172,323
Interfund advances	1,391,022	146,946	1,537,968
Total Liabilities	1,678,575	146,946	1,825,521
Deferred Inflows of Resources			
Unavailable revenue	1,659,774	2,870	1,662,644
Fund balances			
Nonspendable:			
Inventory	148,138	-	148,138
Prepaid items	93,152	-	93,152
Restricted for:			
Streets and highways	2,211,133	-	2,211,133
Capital outlays	-	90,098	90,098
Community development	-	938,178	938,178
Assigned for:			
Capital projects	-	388	388
Expenditures designated for future years	1,250,000	-	1,250,000
Unassigned	5,585,564	(447,128)	5,138,436
Total Fund Balances	9,287,987	581,536	9,869,523
Total Liabilities, Deferred Inflows and Fund Balances	\$ 12,626,336	\$ 731,352	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,470,993
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,662,644
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,550,798)
Pension obligation and funding requirement reporting is not due in the current period and, therefore, not reported in the funds.	(4,582,794)
Net position of governmental activities	<u>\$ 52,869,568</u>

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Property	\$ 1,271,533	\$ 477,090	\$ 1,748,623
Sales	852,134	-	852,134
Business and occupational	682,756	-	682,756
Franchise	60,797	-	60,797
Consumer	222,783	-	222,783
Vehicle licenses	362,923	-	362,923
Bank stock	242,410	-	242,410
Meals and lodging	1,751,540	-	1,751,540
Payment in lieu of taxes	389,041	-	389,041
Permits, fees, and licenses	25,410	-	25,410
Fines and forfeitures	172,406	-	172,406
Revenues from use of money & property	65,337	-	65,337
Charges for services	34,715	-	34,715
Miscellaneous	134,385	-	134,385
Recovered costs	-	7,320	7,320
Intergovernmental	2,662,970	-	2,662,970
Total revenues	<u>8,931,140</u>	<u>484,410</u>	<u>9,415,550</u>
Expenditures			
General government			
Legislative	176,283	-	176,283
Executive	1,881,985	-	1,881,985
Legal	369,080	-	369,080
Finance	811,792	-	811,792
Public safety - Police	4,027,203	217,923	4,245,126
Planning, zoning, and community development	400,002	263,732	663,734
Engineering and public works	2,456,560	-	2,456,560
Nondepartmental	573,853	-	573,853
Total expenditures	<u>10,696,758</u>	<u>481,655</u>	<u>11,178,413</u>
Deficiency of revenues under expenditures	<u>(1,765,618)</u>	<u>2,755</u>	<u>(1,762,863)</u>
Other Financing Sources (Uses)			
Transfers in	2,951,585	28,490	2,980,075
Transfers (out)	(28,490)	-	(28,490)
Total other financing sources and uses	<u>2,923,095</u>	<u>28,490</u>	<u>2,951,585</u>
Net change in fund balances	<u>1,157,477</u>	<u>31,245</u>	<u>1,188,722</u>
Fund balances - beginning	<u>8,130,510</u>	<u>550,291</u>	<u>8,680,801</u>
Fund balances - ending	<u>\$ 9,287,987</u>	<u>\$ 581,536</u>	<u>\$ 9,869,523</u>

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

TOWN OF FRONT ROYAL, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds	\$ 1,188,722
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlays in the current period.	(3,301,059)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and reported as deferred inflows.	98,117
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as current year expenditures in governmental funds.	149,837
Pension obligation is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, pension obligation and certain funding obligations are not reported in the funds.	<u>260,293</u>
Change in net position of governmental activities	<u><u>\$ (1,604,090)</u></u>

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

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property taxes	\$ 1,295,500	\$ 1,295,500	\$ 1,271,533	\$ (23,967)
Other local taxes	4,337,500	4,337,500	4,564,384	226,884
Permits, fees, and licenses	40,000	40,000	25,410	(14,590)
Fines and forfeitures	195,000	195,000	172,406	(22,594)
Revenues from use of money & property	99,250	99,250	65,337	(33,913)
Charges for services	19,500	19,500	34,715	15,215
Miscellaneous	40,000	104,259	134,385	30,126
Intergovernmental	2,600,350	2,605,527	2,662,970	57,443
Total revenues	8,627,100	8,696,536	8,931,140	234,604
Expenditures				
General government				
Legislative	217,390	316,490	176,283	140,207
Executive	2,174,770	2,171,327	1,881,985	289,342
Legal	404,425	412,075	369,080	42,995
Finance	839,970	839,970	811,792	28,178
Total general government	3,636,555	3,739,862	3,239,140	500,722
Public safety - police	4,146,145	4,208,787	4,027,203	181,584
Planning and zoning	450,590	555,540	400,002	155,538
Public works and engineering	2,564,255	3,207,244	2,456,560	750,684
Non-departmental	605,650	655,650	573,853	81,797
Total expenditures	11,403,195	12,367,083	10,696,758	1,670,325
Deficiency of revenues under expenditures	<u>(2,776,095)</u>	<u>(3,670,547)</u>	<u>(1,765,618)</u>	<u>1,904,929</u>
Other Financing Sources				
Transfers in	2,951,585	2,951,585	2,951,585	-
Transfers out	(25,490)	(25,490)	(28,490)	(3,000)
	<u>2,926,095</u>	<u>2,926,095</u>	<u>2,923,095</u>	<u>(3,000)</u>
Net change in fund balances	150,000	(744,452)	1,157,477	1,901,929
Fund balances - beginning	<u>8,130,510</u>	<u>8,130,510</u>	<u>8,130,510</u>	<u>-</u>
Fund balances - ending	<u>\$ 8,280,510</u>	<u>\$ 7,386,058</u>	<u>\$ 9,287,987</u>	<u>\$ 1,901,929</u>

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Electric Current Year	Electric Prior Year	Water Current Year	Water Prior Year
Assets				
Current assets				
Cash and cash equivalents	\$ 4,944,113	\$ 3,528,913	\$ 3,387,060	\$ 3,623,701
Investments	439,089	1,702,560	1,126,953	4,126,803
Due from other funds	1,120,663	1,270,663	738,324	558,177
Accounts receivable (net of allowance for uncollectibles)	1,702,322	1,634,361	528,515	492,072
Other receivables	300,497	299,770	313,548	307,094
Inventories	1,061,654	1,004,956	139,573	151,355
Total current assets	<u>9,568,338</u>	<u>9,441,223</u>	<u>6,233,973</u>	<u>9,259,202</u>
Noncurrent assets				
Restricted cash and cash equivalents				
Customer deposits	408,809	369,784	21,640	21,010
Bond funds	-	-	3,001,104	-
	<u>408,809</u>	<u>369,784</u>	<u>3,022,744</u>	<u>21,010</u>
Capital assets				
Land, buildings and structures	6,655,928	6,049,896	16,173,190	14,441,917
Utility distribution systems	8,932,161	8,724,580	21,898,758	21,750,449
Vehicles	1,311,562	1,171,970	439,431	439,431
Equipment	1,015,154	984,801	772,730	698,171
Less accumulated depreciation	<u>(7,927,934)</u>	<u>(7,521,987)</u>	<u>(14,725,786)</u>	<u>(13,959,617)</u>
Total capital assets (net of accumulated depreciation)	<u>9,986,871</u>	<u>9,409,260</u>	<u>24,558,323</u>	<u>23,370,351</u>
Total noncurrent assets	<u>10,395,680</u>	<u>9,779,044</u>	<u>27,581,067</u>	<u>23,391,361</u>
Total Assets	<u>19,964,018</u>	<u>19,220,267</u>	<u>33,815,040</u>	<u>32,650,563</u>
Deferred Outflows of Resources				
Deferred charge on refunded debt	-	-	609,500	609,500
Deferred pension obligation	78,107	-	87,967	-
Total Deferred Outflows	<u>78,107</u>	<u>-</u>	<u>697,467</u>	<u>609,500</u>
Liabilities				
Current liabilities				
Accounts payable	1,021,966	1,358,460	370,627	104,204
Accrued interest payable	-	-	104,842	104,887
Bank advances	-	-	-	-
Compensated absences - current	42,965	50,719	61,477	72,572
General obligation bonds - current	-	-	560,000	540,418
Total current liabilities	<u>1,064,931</u>	<u>1,409,179</u>	<u>1,096,946</u>	<u>822,081</u>
Noncurrent liabilities				
Customer deposits payable	408,809	369,784	21,640	21,010
Compensated absences	42,965	50,718	61,477	72,572
OPEB liability	108,295	108,295	112,612	112,612
General obligation bonds payable	-	-	10,338,008	10,898,009
Unfunded pension liability	528,797	-	595,551	-
Total noncurrent liabilities	<u>1,088,866</u>	<u>528,797</u>	<u>11,129,288</u>	<u>11,104,203</u>
Total Liabilities	<u>2,153,797</u>	<u>1,937,976</u>	<u>12,226,234</u>	<u>11,926,284</u>
Deferred Inflows of Resources				
Deferred pension inflow	152,577	-	171,838	-
Net Position				
Net investment in capital assets	9,986,871	9,409,260	17,104,815	11,931,924
Unrestricted	7,748,880	7,873,031	5,009,620	9,401,855
Total Net Position	<u>\$ 17,735,751</u>	<u>\$ 17,282,291</u>	<u>\$ 22,114,435</u>	<u>\$ 21,333,779</u>

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

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds				
	Sewer	Sewer	Solid Waste	Solid Waste	Totals
	Current Year	Prior Year	Management	Management	Current Year
Assets					
Current assets					
Cash and cash equivalents	\$ 4,293,993	\$ 2,035,346	\$ -	\$ -	\$ 12,625,166
Investments	3,001,104	3,624,305	-	-	4,567,146
Due from other funds	(357,640)	(177,493)	(18,182)	(18,182)	1,483,165
Accounts receivable (net of allowance for uncollectibles)	632,950	567,008	117,586	117,604	2,981,373
Other receivables	136,300	132,075	-	-	750,345
Inventories	139,519	151,302	-	-	1,340,746
Total current assets	<u>7,846,226</u>	<u>6,332,543</u>	<u>99,404</u>	<u>99,422</u>	<u>23,747,941</u>
Noncurrent assets					
Restricted cash and cash equivalents					
Customer deposits	-	-	-	-	430,449
Bond funds	2,503,599	2,503,599	-	-	5,504,703
	<u>2,503,599</u>	<u>2,503,599</u>	<u>-</u>	<u>-</u>	<u>5,935,152</u>
Capital assets					
Land, buildings and structures	12,878,012	7,497,064	34,160	34,160	35,741,290
Utility distribution systems	22,676,760	22,658,360	-	-	53,507,679
Vehicles	853,655	845,495	1,022,826	1,022,826	3,627,474
Equipment	1,324,097	1,257,914	615,242	608,543	3,727,223
Less accumulated depreciation	(19,011,194)	(18,258,585)	(1,615,151)	(1,606,090)	(43,280,065)
Total capital assets (net of accumulated depreciation)	<u>18,721,330</u>	<u>14,000,248</u>	<u>57,077</u>	<u>59,439</u>	<u>53,323,601</u>
Total noncurrent assets	<u>21,224,929</u>	<u>16,503,847</u>	<u>57,077</u>	<u>59,439</u>	<u>59,258,753</u>
Total Assets	<u>29,071,155</u>	<u>22,836,390</u>	<u>156,481</u>	<u>158,861</u>	<u>83,006,694</u>
Deferred Outflows of Resources					
Deferred charge on refunded debt	-	-	-	-	609,500
Deferred pension obligation	81,986	-	55,097	-	303,157
Total Deferred Outflows	<u>81,986</u>	<u>-</u>	<u>55,097</u>	<u>-</u>	<u>912,657</u>
Liabilities					
Current liabilities					
Accounts payable	1,765,936	70,288	27,689	36,725	3,186,218
Accrued interest payable	33,119	39,823	-	-	137,961
Bank advances	-	-	210,667	254,719	210,667
Compensated absences - current	61,477	66,847	17,190	25,478	183,109
General obligation bonds - current	120,000	123,850	-	-	680,000
Total current liabilities	<u>1,980,532</u>	<u>300,808</u>	<u>255,546</u>	<u>316,922</u>	<u>4,397,955</u>
Noncurrent liabilities					
Customer deposits payable	-	-	-	-	430,449
Compensated absences	61,477	66,846	17,189	25,477	183,108
OPEB liability	99,538	99,538	80,420	80,420	400,865
General obligation bonds payable	3,975,346	2,395,105	-	-	14,313,354
Unfunded pension liability	555,060	-	373,018	-	2,052,426
Total noncurrent liabilities	<u>4,691,421</u>	<u>2,561,489</u>	<u>470,627</u>	<u>105,897</u>	<u>17,380,202</u>
Total Liabilities	<u>6,671,953</u>	<u>2,862,297</u>	<u>726,173</u>	<u>422,819</u>	<u>21,778,157</u>
Deferred Inflows of Resources					
Deferred pension inflow	160,155	-	107,629	-	592,199
Net Position					
Net investment in capital assets	17,010,984	11,481,293	57,077	59,439	44,159,747
Unrestricted	5,310,049	8,492,800	(679,301)	(323,397)	17,389,248
Total Net Position	<u>\$ 22,321,033</u>	<u>\$ 19,974,093</u>	<u>\$ (622,224)</u>	<u>\$ (263,958)</u>	<u>\$ 61,548,995</u>

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Electric Current Year	Electric Prior Year	Water Current Year	Water Prior Year
Operating revenues				
Charges for sales and services				
Electric sales	\$ 17,300,760	\$ 17,085,790	\$ -	\$ -
Water and sewer sales	-	-	4,839,486	3,995,030
Installation and connection charges	99,237	263,443	242,916	78,170
Refuse service fees	-	-	-	-
Miscellaneous revenues	35,095	40,139	87,924	474,214
Grants	-	-	-	2,000
Total operating revenues	<u>17,435,092</u>	<u>17,389,372</u>	<u>5,170,326</u>	<u>4,549,414</u>
Operating expenses				
Personal service	862,451	953,356	1,063,694	1,078,582
Contractual service	40,205	46,934	199,739	152,967
Electric power	13,562,785	13,962,216	-	-
Depreciation	405,947	375,577	766,169	759,381
Other charges	299,319	492,046	818,058	898,434
Operating expenses capitalized	(264,279)	(360,144)	(132,170)	(151,489)
Total operating expenses	<u>14,906,428</u>	<u>15,469,985</u>	<u>2,715,490</u>	<u>2,737,875</u>
Operating income	<u>2,528,664</u>	<u>1,919,387</u>	<u>2,454,836</u>	<u>1,811,539</u>
Nonoperating revenues (expenses)				
Investment earnings	33,328	36,118	34,582	37,757
Interest expense	-	-	(327,395)	(337,326)
Capital grants	-	-	-	-
Total nonoperating revenue (expenses)	<u>33,328</u>	<u>36,118</u>	<u>(292,813)</u>	<u>(299,569)</u>
Income before contributions and transfers	2,561,992	1,955,505	2,162,023	1,511,970
Transfers and contributions				
Transfers in (out)	<u>(1,471,000)</u>	<u>(1,471,000)</u>	<u>(663,355)</u>	<u>(623,000)</u>
Change in net position	1,090,992	484,505	1,498,668	888,970
Total net position - beginning of year	17,282,291	16,797,786	21,333,779	20,444,809
GASB Statement No. 68 reporting restatement	<u>(637,532)</u>	<u>-</u>	<u>(718,012)</u>	<u>-</u>
Total net position - end of year	<u>\$ 17,735,751</u>	<u>\$ 17,282,291</u>	<u>\$ 22,114,435</u>	<u>\$ 21,333,779</u>

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

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Totals
	Sewer	Sewer	Solid Waste	Solid Waste	
	Current Year	Prior Year	Management	Management	
			Current Year	Prior Year	Current Year
Operating revenues					
Charges for sales and services					
Electric sales	\$ -	\$ -	\$ -	\$ -	\$ 17,300,760
Water and sewer sales	6,149,095	4,862,217	-	-	10,988,581
Installation and connection charges	492,874	118,967	-	-	835,027
Refuse service fees	-	-	984,191	994,107	984,191
Miscellaneous revenues	2,784	1,050	-	148	125,803
Grants	-	2,000	-	-	-
Total operating revenues	<u>6,644,753</u>	<u>4,984,234</u>	<u>984,191</u>	<u>994,255</u>	<u>30,234,362</u>
Operating expenses					
Personal service	951,672	979,195	627,858	688,611	3,505,675
Contractual service	474,299	408,046	1,954	1,954	716,197
Electric power	-	-	-	-	13,562,785
Depreciation	752,609	655,024	9,061	13,865	1,933,786
Other charges	1,127,923	1,024,633	203,577	225,255	2,448,877
Operating expenses capitalized	(6,618)	(23,628)	-	-	(403,067)
Total operating expenses	<u>3,299,885</u>	<u>3,043,270</u>	<u>842,450</u>	<u>929,685</u>	<u>21,764,253</u>
Operating income	<u>3,344,868</u>	<u>1,940,964</u>	<u>141,741</u>	<u>64,570</u>	<u>8,470,109</u>
Nonoperating revenues (expenses)					
Investment earnings	34,582	82,696	16,942	18,236	119,434
Interest expense	(87,774)	(142,935)	-	-	(415,169)
Capital grants	474,457	-	-	-	474,457
Total nonoperating revenues (expenses)	<u>421,265</u>	<u>(60,239)</u>	<u>16,942</u>	<u>18,236</u>	<u>178,722</u>
Income before contributions and transfers	3,766,133	1,880,725	158,683	82,806	8,648,831
Transfers and contributions					
Transfers in (out)	(750,000)	(735,200)	(67,230)	(30,510)	(2,951,585)
Change in net position	3,016,133	1,145,525	91,453	52,296	5,697,246
Total net position - beginning of year	19,974,093	18,828,568	(263,958)	(316,254)	58,326,205
GASB Statement No. 68 reporting restatement	(669,193)	-	(449,719)	-	(2,474,456)
Total net position - end of year	<u>\$ 22,321,033</u>	<u>\$ 19,974,093</u>	<u>\$ (622,224)</u>	<u>\$ (263,958)</u>	<u>\$ 61,548,995</u>

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 17,366,404	\$ 5,127,429	\$ 6,574,586	\$ 984,209	\$ 30,052,628
Payments to suppliers	(14,026,462)	(645,382)	75,862	(238,736)	(14,834,718)
Payments to employees	(877,958)	(1,085,884)	(962,411)	(644,434)	(3,570,687)
Net cash provided by operating activities	2,461,984	3,396,163	5,688,037	101,039	11,647,223
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	(1,471,000)	(663,355)	(750,000)	(67,230)	(2,951,585)
Interfund (advances)/repayments	150,000	(180,147)	180,147	-	150,000
Net cash used in noncapital financing activities	(1,321,000)	(843,502)	(569,853)	(67,230)	(2,801,585)
Cash Flows from Capital and Related Financing Activities					
Acquisition/construction of capital assets	(983,558)	(1,954,141)	(5,473,690)	(6,699)	(8,418,088)
Principal paid on capital debt	-	(460,000)	(120,000)	-	(580,000)
Proceeds on debt issued	-	-	1,700,241	-	1,700,241
Grants received	-	-	474,457	-	474,457
Interest paid	-	(407,859)	(98,328)	-	(506,187)
Net cash provided by (used in) capital and related financing activities	(983,558)	(2,822,000)	(3,517,320)	(6,699)	(7,329,577)
Cash Flows from Investing Activities					
Sales (purchases) of investments	1,263,471	2,999,850	623,201	-	4,886,522
Interest and dividends received	33,328	34,582	34,582	16,942	119,434
Net cash provided by (used in) investing activities	1,296,799	3,034,432	657,783	16,942	5,005,956
Net increase (decrease) in cash and cash eq.	1,454,225	2,765,093	2,258,647	44,052	6,522,017
Cash and cash equivalents July 1, 2014	3,898,697	3,644,711	4,538,945	(254,719)	11,827,634
Cash and cash equivalents June 30, 2015	\$ 5,352,922	\$ 6,409,804	\$ 6,797,592	\$ (210,667)	\$ 18,349,651
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 2,528,664	\$ 2,454,836	\$ 3,344,868	\$ 141,741	\$ 8,470,109
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation expense	405,947	766,169	752,609	9,061	1,933,786
(Increase) decrease in:					
Accounts receivable	(67,961)	(36,443)	(65,942)	18	(170,328)
Other receivables	(727)	(6,454)	(4,225)	-	(11,406)
Inventories	(56,698)	11,782	11,783	-	(33,133)
Deferred pension	(78,107)	(87,967)	(81,986)	(55,097)	(303,157)
Increase (decrease) in:					
Customer deposits	39,025	630	-	-	39,655
Accounts payable	(336,494)	266,423	1,695,648	(9,036)	1,616,541
OPEB liability	-	-	-	-	-
Compensated absences	(15,507)	(22,190)	(10,739)	(16,576)	(65,012)
Deferred pension	43,842	49,377	46,021	30,928	170,168
Total adjustments	(66,680)	941,327	2,343,169	(40,702)	3,177,114
Net cash provided by (used in) operating activities	\$ 2,461,984	\$ 3,396,163	\$ 5,688,037	\$ 101,039	\$ 11,647,223
Noncash investing, capital, and financing activities					
Capital assets contributed by developers	\$ -	\$ -	\$ -	\$ -	\$ -

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The town is an incorporated municipal governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and any potential component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

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

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government reports the following major proprietary funds:

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

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

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Indirect expenses of the governmental funds are allocated based on the direct expenses of the various functions of the government.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds, electric enterprise fund, and refuse enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government are reported at fair value. The State Treasurer's Local Government Investment Pool operates 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.

2. Receivables and Payables

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

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

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

Real estate and personal property taxes are assessed annually by Warren County, Virginia for all property of record as of January 1. The Town bills and collects its own property taxes based on the assessed values provided by the County. Real estate and personal property taxes are levied annually on January 1. In 2010, the Town changed from an annual billing on December 5 to a semi-annual billing which occurs on June 5 and December 5. Personal property taxes are billed with pro-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.

3. Inventories and Other Assets

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

4. Restricted Assets

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

Bond Escrow Funds - Cash funds of the water and sewer funds for acquisition and construction of infrastructure and economic development projects.

5. Use of Estimates

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

6. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The town has adopted the GFOA Capitalization Threshold recommendation of \$5,000.

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences

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

8. Long-term Obligations

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

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

9. Other Postemployment Benefits

The Town adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of July 1, 2008. This statement requires governments to recognize an expense under the accrual basis for annual required other postemployment benefits contributions, regardless of amounts paid. The cumulative different between the amounts expensed and paid creates a liability (asset) similar to net pension obligations.

10. Deferred Outflows/Inflows of Resources

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Deferred Outflows/Inflows of Resources (Continued)

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

11. Fund Balance

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

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

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

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

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

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

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

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Balance (Continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purpose).

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General fund encumbrances totaling approximately \$1,250,000 have been classified as assigned under fund balance.

8. 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.

11. Comparative Data

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

E. Pensions

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,550,800 are as follows:

Description	Amount
Compensated absences	\$ 718,232
OPEB liability	832,566
Net adjustment to reduce <i>fund balance - total governmental</i>	<u>\$ 1,550,798</u>

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

The governmental statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of the \$3,301,059 difference is as follows:

Description	Amount
Capital outlay	\$ 809,145
Depreciation expense	(4,110,204)
Net adjustment to decrease <i>net changes in fund balances -total governmental</i>	<u>\$ (3,301,059)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several general fund budgetary appropriations throughout the year, totaling \$963,888.

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, there were no general fund departments where expenditures exceeded appropriations.

C. Deficit Fund Balance

At June 30, 2015 Special Revenue Funds which had a deficit fund balance are noted below:

Fund	Deficit Fund Balance
Downtown Service District	\$ 1,512
Economic Development	445,616

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

As of June 30, 2015 the carrying amount of the Town's deposits with bank and savings institutions was \$11,461,398 and the bank balance was \$12,343,099.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments

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

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

In accordance with the laws of the Commonwealth and Town policy, investments authorized to be held by the Town are: 1. *Treasury Securities* - Bonds, notes, and bills issued by the United States Treasury maturing within five years of the date of purchase, or certificates representing ownership of treasury bond principal or coupons payable with five years; 2. *Agency Securities* - Fixed rate obligation issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Associate, the Federal Farm Credit Bank, or the Federal Loan Mortgage Corporation, maturing within five years of the date of purchase; 3. *Prime Commercial Paper* - Commercial paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody’s and A-1 or higher by Standard & Poor’s, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated A or better by Moody’s and Standard & Poor’s; 4. *Certificates of Deposit* - Certificates of deposit maturing within one year and issued by domestic banks rated P-1 by Moody’s and A-1 by Standard & Poor’s; 5. *Bankers’ Acceptances* - Bankers’ acceptances maturing within 180 days rated P-1 or higher by Moody’s and A-1 or higher by Standard & Poor’s, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA or higher by Moody’s and Standard & Poor’s; 6. *Commonwealth of Virginia and Virginia Local Government Obligations* - General obligations, insured obligations, or revenue bonds secured by debt service reserve funds not subject to annual appropriation rated AA or higher by Moody’s or Standard & Poor’s; 7. *Repurchase Agreements* - Repurchase agreements collateralized by securities provided for investment herein, provided that the counterparty is rated A or better by Moody’s and Standard & Poor’s and the collateral is held by an independent third party; 8. *Open-End Investment Funds* - Open-end investment funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein; 9. *Virginia Local Government Investment Pool (LGIP)* - The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares. i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s;

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

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

Credit risk. Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2015, all of the Town’s investments were invested in “AA+” or better rated securities. All credit ratings presented in this paragraph are Standard & Poor’s ratings.

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

As of June 30, 2015, the government had the following investments:

Investment Type	Fair Value	Maturity	
		1 Year	Over 1 Year
Cash deposit mutual funds	\$ 69	\$ 69	\$ -
SNAP funds	3,006,096	3,006,096	-
Governmental securities mutual funds	1,474,775	1,474,775	-
Secure term annuity	3,092,371	3,092,371	-
Local Government Investment Pool	2,939,382	2,939,382	-
Banking repurchase agreements	10,271,636	10,271,636	-
SunTrust US Government Fund	1,568,865	1,568,865	-
Total	<u>\$ 22,353,194</u>	<u>\$ 22,353,194</u>	<u>\$ -</u>

During 2011 all U.S. Securities and government backed investments were downgraded from an AAA to a AA+ rating by Standard & Poor’s.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

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

Footnote Classification	Combined Balance Sheet Classifications		
	Total	Cash and Equivalents	Investments
Petty Cash	\$ 1,608	\$ 1,608	\$ -
Bank Deposits	11,461,398	11,461,398	-
Investments	22,353,194	17,786,048	4,567,146
Total	\$ 33,816,200	\$ 29,249,054	\$ 4,567,146

B. Estimated Unbilled Revenue

Proprietary fund types estimate and record utility services rendered but not yet billed at June 30, 2015. The amounts are determined by reviewing the Town's utility billing rendered prior to year-end and estimated the unbilled service to year-end. At June 30, 2015, unbilled service recorded was \$1,460,497.

C. Receivables

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

Description	General	Electric	Water	Sewer	Solid Waste	Nonmajor	Total
Receivables:							
Delinquent taxes	\$1,691,192	\$ -	\$ -	\$ -	\$ -	\$ 2,870	\$1,694,062
Accounts	-	2,002,952	345,714	438,355	147,283	-	2,934,304
Interest	-	-	-	-	-	-	-
Intergovernmental	397,576	-	-	-	-	-	397,576
Unbilled	-	769,450	302,329	338,907	49,811	-	1,460,497
Other	70,554	26,890	313,548	139,326	-	-	550,318
Less: allowance	-	(1,076,473)	(119,528)	(147,338)	(79,508)	-	(1,422,847)
Net receivables	\$2,159,322	\$ 1,722,819	\$ 842,063	\$ 769,250	\$ 117,586	\$ 2,870	\$5,613,910

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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Receivables (Continued)

At the end of the current fiscal year, the various components of the unearned revenue reported in the governmental funds were as follows:

<u>Fund/Type</u>	<u>Unavailable</u>	<u>Unearned</u>
General Fund - Property Taxes	\$ 1,659,774	\$ -
Special Revenue Fund - Property Taxes	2,870	-
	<u>\$ 1,662,644</u>	<u>\$ -</u>

D. Due from Other Governments

At June 30, 2015 amounts due from other governments were as follows:

<u>Description/Payer</u>	<u>General</u>
Commonwealth of Virginia	
2015 Personal Property Tax Relief Act	\$ 311,703
Communications Tax	14,365
Warren County, Virginia - Sales Tax	71,508
	<u>\$ 397,576</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,350,986	-	\$ (16,200)	\$ 1,334,786
Capital assets being depreciated				
Buildings and improvements	8,937,077	499,824	(187,849)	9,249,052
Vehicles	1,804,459	117,923	-	1,922,382
Equipment	3,339,343	191,398	-	3,530,741
Infrastructure	109,527,139	-	-	109,527,139
Total	123,608,018	809,145	(187,849)	124,229,314
Less accumulated depreciation for				
Buildings and improvements	(1,830,848)	(220,564)	204,049	(1,847,363)
Vehicles	(1,534,462)	(97,040)	-	(1,631,502)
Equipment	(2,736,028)	(201,545)	-	(2,937,573)
Infrastructure	(68,085,614)	(3,591,055)	-	(71,676,669)
Total	(74,186,952)	(4,110,204)	204,049	(78,093,107)
Net capital assets being depreciated	49,421,066	(3,301,059)	16,200	46,136,207
Governmental capital assets, net	\$ 50,772,052	\$ (3,301,059)	\$ -	\$ 47,470,993

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

Activity	Depreciation
Governmental activities:	
General government	\$ 161,899
Public safety	201,289
Public works	122,785
Planning, zoning, and community development	33,176
Infrastructure depreciation	3,591,055
Total depreciation expense - governmental activities	\$ 4,110,204

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,488,822	\$ -	\$ -	\$ 1,488,822
Construction in process	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	26,534,215	7,718,253	-	34,252,468
Utility distribution systems	53,133,389	374,290	-	53,507,679
Vehicles	3,479,722	147,752	-	3,627,474
Equipment	3,549,429	177,794	-	3,727,223
Total	<u>86,696,755</u>	<u>8,418,089</u>	-	<u>95,114,844</u>
Less accumulated depreciation for				
Buildings and improvements	(6,321,344)	(572,812)	-	(6,894,156)
Utility distribution systems	(29,132,112)	(1,062,668)	-	(30,194,780)
Vehicles	(2,921,968)	(168,711)	-	(3,090,679)
Equipment	(2,970,855)	(129,595)	-	(3,100,450)
Total	<u>(41,346,279)</u>	<u>(1,933,786)</u>	-	<u>(43,280,065)</u>
Net capital assets being depreciated	<u>45,350,476</u>	<u>6,484,303</u>	-	<u>51,834,779</u>
Business-type capital assets, net	<u>\$ 46,839,298</u>	<u>\$ 6,484,303</u>	\$ -	<u>\$ 53,323,601</u>

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

Activity	Depreciation
Business-type activities:	
Electric	\$ 405,947
Water	766,169
Sewer	752,609
Solid Waste Management	9,061
Total depreciation expense - business-type activities	<u>\$ 1,933,786</u>

There were no significant intangible asset acquisitions during the fiscal year ended June 30, 2015.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Interfund Advances/Transfers

Interfund advances are for reimbursement for debt payments made for other funds. Advance to the General Fund from the Electric Funds was for the purchase of a town administration building. The composition of interfund advances at June 30, 2015 is as follows:

Advanced to	From	Amount
General Fund	Electric Fund	\$ 1,087,734
General Fund	Sewer Fund	102,492
General Fund	Water Fund	200,409
General Fund	Town Facilities Fund	388
Special Projects	Sewer Fund	48,515
Special Projects	Water Fund	48,515
Special Revenue	General Fund	49,915
Sewer Fund	Economic Development Fund	2,250
Sewer Fund	Water Fund	506,397
Water Fund	Economic Development Fund	2,250
Water Fund	Electric Fund	14,747
Solid Waste Management	Electric Fund	18,182
		<u>\$ 2,081,794</u>

Transfers to the General Fund from the Electric, Water, Sewer and Solid Waste Management Funds are for administrative services performed by the general government. The composition of inter-fund transfers during 2015 is as follows:

Transferred to	From	Amount
General Fund	Electric Fund	\$ 1,471,000
General Fund	Water Fund	663,355
General Fund	Sewer Fund	750,000
General Fund	Solid Waste Management Fund	67,230
		<u>\$ 2,951,585</u>

G. Long-Term Liabilities

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

General obligation bonds outstanding at June 30, 2015 are as follows:

Description	Amount
\$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%.	\$ 6,095,000
\$10,315,000 2006 series General Obligation Bonds, issued June 8, 2006 due in increasing annual maturities starting with \$330,000 in 2008 and increasing to \$780,000 in 2026, with interest at 3.63% to 4.95%. \$6,325,000 of the outstanding debt was refinanced in May, 2014.	940,000
\$2,835,000, 2014 series General Obligation Bonds, issued May 21, 2014 due in increasing annual maturities starting with \$95,000 in 2015 and increasing to \$200,000 in 2034, with interest at 3.13% to 4.84%.	2,835,000
\$2,735,000, 2010 series Recovery Act Bonds, issued March 15, 2010, due in increasing annual maturities starting with \$115,000 in 2013 and increasing to \$600,000 in 2030, with interest at 2.00% to 6.57%.	2,385,000
\$39,377,600 2014C series General Obligation Bonds, issued December 17, 2014, no state interest payable, 2014 - 2015 draws \$1,700,241, due in semi-annual payments of \$984,440 starting March, 2018.	<u>1,700,241</u>
Total General Obligation Debt	<u><u>\$ 13,955,241</u></u>

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

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ -	\$ 680,000	\$ 854,104
2017	-	-	705,000	826,989
2018	-	-	1,679,440	485,575
2019	-	-	1,485,801	451,425
2020			795,000	420,174
2021-2025			4,505,000	1,561,573
2026-2030			3,170,000	506,615
2031-2035	-	-	935,000	90,061
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,955,241</u>	<u>\$ 5,196,516</u>

The legal debt limit mandated by the Commonwealth of Virginia is \$117,310,614.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Restated				
	June 30, 2014	Additions	Retirements	June 30, 2015	One Year
Governmental activities:					
Compensated absences	\$ 868,069	\$ 718,232	\$ (868,069)	\$ 718,232	\$ 718,232
Other post-employment benefits	832,566	37,340	(37,340)	832,566	-
Unfunded pension liability	5,490,648	-	(1,473,577)	4,017,071	-
Governmental activity					
Long-term liabilities	<u>\$ 7,191,283</u>	<u>\$ 755,572</u>	<u>\$ (2,378,986)</u>	<u>\$ 5,567,869</u>	<u>\$ 718,232</u>

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.

	Restated				
	June 30, 2014	Additions	Retirements	June 30, 2015	One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 12,835,000	\$ 1,700,241	\$ (580,000)	\$ 13,955,241	\$ 680,000
Unamortized premium	1,122,382	-	(84,269)	1,038,113	-
Compensated absences	431,229	366,217	(431,229)	366,217	183,109
Other post-employment benefits	400,865	-	-	400,865	-
Unfunded pension liability	2,805,312	-	(752,886)	2,052,426	-
Business-type activity					
Long-term liabilities	<u>\$ 17,594,788</u>	<u>\$ 2,066,458</u>	<u>\$ (1,848,384)</u>	<u>\$ 17,812,862</u>	<u>\$ 863,109</u>

Restatement of June 30, 2014 long-term liabilities was done to report the required GASB Statement No. 68 pension plan obligation at statement effective date.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Liabilities (Continued)

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

Individual Fund	Due Within	
	1 Year	Long-term
General	\$ 718,232	\$ -
Electric	\$ 42,965	\$ 42,965
Water	61,477	61,477
Sewer	61,477	61,477
Solid Waste Management	17,190	17,189
	<u>\$ 183,109</u>	<u>\$ 183,108</u>

V. OTHER INFORMATION

A. Risk Management

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

VMGSIA: The Town has workers' compensation coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). During the fiscal year 2015 the Town paid premiums of approximately \$177,443 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 2015, the Town paid contributions of approximately \$309,521 to the VMLP.

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

B. Surety Bonds

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

C. Commitments and Contingent Liabilities

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

IDA Bond Debt Support Agreement: The Industrial Development Authority (IDA) of Warren County issued \$4,125,000 series 1996 bonds dated November 1, 1996. The IDA issued the bonds to develop a water/sewer project along U.S. Route 340/522. March 1, 2005 the IDA issued Refunding Bonds to provide resources to pay off the 1996 bond issue by placing funds in an irrevocable trust to meet all future debt service and payoff. As a result, the 1996 bond series is considered to be defeased. The advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$270,019 and resulted in an economic gain of \$97,615.

The Town of Front Royal, Virginia and the County of Warren, Virginia have agreed to provide the funds to repay the debt and interest expense obligation and have each executed a support agreement. The County has agreed to provide funding to support 80% of the debt and interest, subject to annual appropriation, and the Town of Front Royal, Virginia has agreed to fund 20% of the debt and interest. The Town’s support agreement is backed by the full faith and credit and taxing power of the Town.

Details of the IDA bond with the Town’s related support obligation are as follows:

Description	Balance
\$3,300,000 2005 Series Industrial Development Authority Revenue Refunding Bond issued March 1, 2005 in increasing annual maturities starting with \$225,000 in 2005 and increasing to \$330,000 in 2016 with interest at 3.59%	\$ 650,000
Town of Front Royal support agreement obligation – 20%	\$ 130,000

Year	IDA Debt		20% Support Agreement		
	Principal	Interest	Principal	Interest	Total
2016	320,000	17,591	64,000	3,518	67,518
2017	330,000	5,924	66,000	1,185	67,185
	\$ 650,000	\$ 23,515	\$ 130,000	\$ 4,703	\$ 134,703

E. Post-Employment Benefits Other Than Pensions

Plan Description: The Town of Front Royal Virginia adopted a retiree health insurance coverage policy. 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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

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

Funding Policy: Payments are made monthly to cover the Town’s portion of the retiree health insurance premiums. For fiscal year 2015, 31 retirees had a benefit under this policy with a total cost to the Town of \$45,795.

Annual OPEB Cost and Net OPEB Obligation: The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Component	FYE 6/30/15
Annual required contribution (pending 2014 actuarial report)	\$ 238,300
Interest on Net OPEB obligations	34,618
Adjustment to annual required contribution	<u>(31,060)</u>
Annual OPEB cost (expense)	241,858
Contributions made	<u>(45,794)</u>
Increase in net OPEB obligation	196,064
Net unfunded OPEB obligation - Beginning of year	<u>1,233,430</u>
Net unfunded OPEB obligation - End of year (pending 2014 actuarial report)	<u><u>\$ 1,429,494</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation the five years 2011 to 2015 is as follows:

FYE June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015 (pending 2014 actuarial report)	\$ 241,858	18.93%	\$ 1,429,494
2014	241,858	15.12%	1,233,430
2013	231,918	15.93%	1,028,133
2012	222,464	16.78%	833,160
2011	264,257	15.19%	648,037

GASB Statement No. 45 does not require pre-funding of the OPEB liability. The Town has elected not to pre-fund all of the OPEB liability at this time. The Town anticipates continuing to pay the annual actual cash cost requirements. The difference between OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not pre-funded.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

At June 30, 2015 the Town has recorded a liability of \$1,233,430 on the Statement of Net Position for the governmental and business-type activities. This obligation liability will be updated once the 2014 actuarial report is completed and issued.

Funding Status and Funding Progress: As of June 30, 2011, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$2,484,600. The covered payroll (annual payroll of active employees covered by the plan) was \$6,153,700, and the ratio of the UAAL to the covered payroll was 40.38%.

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

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

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

June 30, 2011 actuarial valuation methods and assumption are as follows:

Valuation Date:	June 30, 2011
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Payroll
Amortization Period:	30 years open periods
Asset Valuation Method:	N/A
Actuarial Assumptions:	
Investment Rate of Return:	4.00%
Healthcare cost trend rate	Getzen Trend Model
Payroll Growth:	3.75% per year

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$ -	\$ 2,774,100	\$2,774,100	0%	\$ 6,623,100	41.89%
2011	-	2,484,600	2,484,600	0%	6,153,700	40.38%

Schedule of Employer Contributions

FYE June 30,	Annual Required Contribution	Amount Contributed	Percentage Contributed
2015 (pending 2014 actuarial report)	\$ 241,900	\$ 45,794	18.93%
2014	238,300	36,561	15.34%
2013	228,800	36,945	16.15%
2012	219,800	37,340	16.99%
2011	247,300	40,130	16.23%
2010	247,300	39,104	15.81%

F. Defined Benefit Pension Plan

Plan Description

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit Defined Benefit Component: See definition under Plan 1</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Town hazardous duty employees: The retirement multiplier of eligible Town hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Town hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Town hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

<p>Normal Retirement Age VRS: Age 65.</p> <p>Towns hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Towns hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Towns hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Towns hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Towns hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Towns hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Towns hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Towns hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Towns hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>123</u>
Inactive members:	
Vested inactive members	25
Non-vested inactive members	53
Inactive members active elsewhere in VRS	54
Total inactive members	<u>132</u>
Active members	<u>152</u>
Total covered employees	<u><u>407</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2015 was 14.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the Town were \$896,500 and \$1,123,315 for the years ended June 30, 2015 and June 30, 2014, respectively.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014:

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for public safety employees in the Town Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2103 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 33,227,562	\$ 24,931,602	\$ 8,295,960
Changes for the year:			
Service cost	772,812	-	772,812
Interest	2,265,421	-	2,265,421
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,028,333	(1,028,333)
Contributions - employee	-	336,567	(336,567)
Net investment income	-	3,920,829	(3,920,829)
Benefit payments, including refunds of employee contributions	(1,728,823)	(1,728,823)	-
Administrative expenses	-	(21,238)	21,238
Other changes	-	207	(207)
Net changes	<u>1,309,410</u>	<u>3,535,875</u>	<u>(2,226,465)</u>
Balances at June 30, 2014	<u>\$ 34,536,972</u>	<u>\$ 28,467,477</u>	<u>\$ 6,069,495</u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

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

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

	(6.00%)	Rate (7.00%)	(8.00%)
Town's Net Pension Liability	\$ 10,453,920	\$ 6,069,495	\$ 2,429,842

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

For the year ended June 30, 2015, the Town recognized pension expense of \$553,140. At June 30, 2015 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	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,751,272
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 1,751,272</u>

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

Year ended June 30,	Amortization
2016	\$ (437,818)
2017	(437,818)
2018	(437,818)
2019	(437,818)
Thereafter	-

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2014</u>
Total pension liability	
Service cost	\$ 772,812
Interest	2,265,421
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,728,823)</u>
Net change in total pension liability	<u>1,309,410</u>
Total pension liability - beginning	<u>33,227,562</u>
Total pension liability - ending (a)	<u><u>\$ 34,536,972</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,028,333
Contributions - employee	336,567
Net investment income	3,920,829
Benefit payments, including refunds of employee contributions	(1,728,823)
Administrative expense	(21,238)
Other	<u>207</u>
Net change in total pension liability	<u>3,535,875</u>
Total pension liability - beginning	<u>24,931,602</u>
Total pension liability - ending (b)	<u><u>\$ 28,467,477</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 6,069,495</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>82.43%</u></u>
Covered-employee payroll	<u><u>\$ 6,804,987</u></u>
Town's net pension liability as a percentage of covered-employee payroll	<u><u>89.19%</u></u>

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

FYE June 30,	Contractual Required Contribution	Amount Contributed	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2015	\$ 896,506	\$ 896,506	\$ -	\$ 6,804,987	13.17%
Prior to GASB Statement No. 68 and 2015:					
2014	1,123,315	1,123,315	-	6,772,842	16.59%
2013	1,312,258	1,312,258	-	6,464,264	20.30%
2012	1,092,670	1,092,670	-	6,268,877	17.43%
2011	1,094,187	1,094,187	-	6,047,869	18.09%

Schedule of Funding Progress

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	\$ 28,467,477	\$ 34,536,972	\$ 6,069,495	82.43%	\$ 6,807,987	89.15%
Prior to GASB Statement No. 68:						
2013	23,704,501	33,227,562	9,523,061	71.34%	6,464,264	147.32%
2012	23,136,770	33,295,121	10,158,351	69.49%	6,268,877	162.04%
2011	23,301,524	32,646,376	9,344,852	71.38%	6,047,869	154.51%
2010	22,978,490	31,623,369	8,644,879	72.66%	6,306,555	137.08%
2009	23,201,463	29,244,201	6,042,738	79.34%	6,480,537	93.24%
2008	23,160,592	26,997,676	3,837,084	85.79%	6,218,074	61.71%

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

F. Defined Benefit Pension Plan (Continued)

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

G. 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.

TOWN OF FRONT ROYAL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

V. OTHER INFORMATION (CONTINUED)

H. GASB Statement No. 68 Net Position Restatement

The Town implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions effective July 1, 2014 and restated the affected account balances at June 30, 2014 is as follows:

Description	Deferred Outflows	Pension Obligation	Net Position Reduction
FYE 2014 funding payments	\$ (978,417)	\$ -	\$ (978,417)
July 1, 2014 net obligation	-	8,295,960	8,295,960
	<u>\$ (978,417)</u>	<u>\$ 8,295,960</u>	<u>\$ 7,317,543</u>
Summarized by fund:			
Governmental	\$ (647,561)	\$ 5,490,648	\$ 4,843,087
Business-type	(330,856)	2,805,312	2,474,456
	<u>\$ (978,417)</u>	<u>\$ 8,295,960</u>	<u>\$ 7,317,543</u>

The information was not available or provided for earlier periods. The net restatement was made at June 30, 2014.

I. Land Annexation

During fiscal year 2014-2015 with Warren County agreement, the Town annexed approximately 1.5 square miles. The Town plans and anticipates providing utility services to the annexed area.

J. Subsequent Events

The Town has evaluated events and transactions subsequent to June 30, 2015 through October 19, 2015, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the basic financial statements for the year ended June 30, 2015.

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Revenues	Variance Positive (Negative)
Source of Revenues				
General Property Taxes				
Real estate taxes				
Current taxes, including penalties	\$ 970,000	\$ 970,000	\$ 977,193	\$ 7,193
Delinquent taxes, including penalties	15,000	15,000	7,251	(7,749)
Personal property taxes				
Current taxes, including penalties	280,000	280,000	244,333	(35,667)
Public service corporation taxes	15,500	15,500	23,593	8,093
Interest on delinquent taxes	15,000	15,000	19,163	4,163
Total General Property Taxes	<u>1,295,500</u>	<u>1,295,500</u>	<u>1,271,533</u>	<u>(23,967)</u>
Other Local Taxes				
Warren County sales tax	785,000	785,000	852,134	67,134
Business and occupational taxes and penalties	625,000	625,000	682,756	57,756
Franchise taxes	50,000	50,000	60,797	10,797
Consumer taxes - electric deregulation	232,000	232,000	222,783	(9,217)
Vehicle licenses	325,500	325,500	362,923	37,423
Bank stock taxes	225,000	225,000	242,410	17,410
Lodging taxes	295,000	295,000	304,833	9,833
Meal taxes	1,400,000	1,400,000	1,446,707	46,707
Payment in lieu of taxes	400,000	400,000	389,041	(10,959)
Total Other Local Taxes	<u>4,337,500</u>	<u>4,337,500</u>	<u>4,564,384</u>	<u>226,884</u>
Permits, Fees and Licenses				
Zoning income	30,000	30,000	24,090	(5,910)
Public ROW use fees	10,000	10,000	1,320	(8,680)
Total Permits, Fees and Licenses	<u>40,000</u>	<u>40,000</u>	<u>25,410</u>	<u>(14,590)</u>
Fines and Forfeitures				
Fines and forfeitures - county	180,000	180,000	171,585	(8,415)
Fines and forfeitures - town	15,000	15,000	821	(14,179)
Total Fines and Forfeitures	<u>195,000</u>	<u>195,000</u>	<u>172,406</u>	<u>(22,594)</u>
Revenues from Use of Money and Property				
Interest on bank deposits	88,000	88,000	53,872	(34,128)
Interest on accounts receivable	1,000	1,000	284	(716)
Rental - Comcast property	10,250	10,250	11,181	931
Total Revenues from Use of Money and Property	<u>99,250</u>	<u>99,250</u>	<u>65,337</u>	<u>(33,913)</u>
Charges for Services				
Curb and gutter charges	1,000	1,000	(254)	(1,254)
Street & walk assessment	1,000	1,000	1,071	71
Credit card fees	-	-	19,156	19,156
Sales at Visitors' Center	17,000	17,000	14,727	(2,273)
Sales of publications	500	500	15	(485)
Total Charges for Services	<u>19,500</u>	<u>19,500</u>	<u>34,715</u>	<u>15,215</u>

(Continued)

**TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual Revenues	Variance Positive (Negative)
Miscellaneous Revenue				
Miscellaneous	\$ 40,000	\$ 104,259	\$ 134,385	\$ 30,126
Intergovernmental				
Rolling stock tax	20,000	20,000	17,453	(2,547)
Virginia personal property tax reduction	287,000	287,000	287,000	-
Communication tax	180,000	180,000	170,799	(9,201)
Rental tax vehicles	45,000	45,000	64,145	19,145
State aid for police and fire	338,350	338,350	338,352	2
Highway maintenance	1,700,000	1,700,000	1,755,864	55,864
Grants	30,000	35,177	29,357	(5,820)
Total Intergovernmental	<u>2,600,350</u>	<u>2,605,527</u>	<u>2,662,970</u>	<u>57,443</u>
Total General Fund Revenues	<u>8,627,100</u>	<u>8,696,536</u>	<u>8,931,140</u>	<u>234,604</u>
Other Financing Sources				
Transfers from other funds	<u>2,951,585</u>	<u>2,951,585</u>	<u>2,951,585</u>	<u>-</u>
Total Other Financing Sources	<u>2,951,585</u>	<u>2,951,585</u>	<u>2,951,585</u>	<u>-</u>
Total General Fund Revenues and Other Financing Sources	<u><u>\$11,578,685</u></u>	<u><u>\$11,648,121</u></u>	<u><u>\$11,882,725</u></u>	<u><u>\$ 234,604</u></u>

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Legislative				
Town Council				
Personal service	\$ 61,255	\$ 61,255	\$ 61,238	\$ 17
Contractual service	96,000	192,200	55,865	136,335
Materials and supplies	11,250	11,200	10,393	807
Travel and communications	9,000	8,950	8,693	257
Joint operations	-	2,000	1,393	607
Capital outlays	-	1,000	950	50
Total Town Council	177,505	276,605	138,532	138,073
Clerk of Council				
Personal service	35,525	35,525	34,112	1,413
Materials and supplies	450	450	304	146
Travel and communications	3,600	3,600	3,145	455
Dues and memberships	310	310	190	120
Total Clerk of Council	39,885	39,885	37,751	2,134
Total Legislative	217,390	316,490	176,283	140,207
Executive				
Town Manager				
Personal service	233,730	233,730	237,760	(4,030)
Contractual service	600	600	637	(37)
Materials and supplies	8,725	8,725	5,800	2,925
Travel and communications	6,750	6,750	5,008	1,742
Dues and memberships	2,250	2,250	1,898	352
Capital outlays	-	-	-	-
Total Town Manager	252,055	252,055	251,103	952
Management Services				
Personal service	226,580	226,580	216,177	10,403
Contractual service	150	150	188	(38)
Materials and supplies	33,000	33,910	32,510	1,400
Travel and communications	4,100	6,939	1,877	5,062
Dues and memberships	350	350	339	11
Total Management Services	264,180	267,929	251,091	16,838
Auto/Motorpool				
Personal service	332,870	332,870	324,272	8,598
Contractual service	1,200	10,000	4,606	5,394
Materials and supplies	50,500	47,380	30,126	17,254
Travel and communications	1,200	1,200	1,121	79
Utilities	1,700	1,200	1,107	93
Capital outlays	57,200	63,893	32,048	31,845
Total Auto/Motorpool	444,670	456,543	393,280	63,263

(Continued)

TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Office of Information Technology				
Personal service	\$ 148,285	\$ 148,285	\$ 147,453	\$ 832
Contractual service	262,545	226,145	212,322	13,823
Materials and supplies	39,905	53,805	35,361	18,444
Travel and communications	73,200	51,200	45,832	5,368
Dues and memberships	100	100	-	100
Capital outlays	362,835	379,170	241,461	137,709
Total Office of Information Technology	886,870	858,705	682,429	176,276
Office of Tourism				
Personal service	138,660	139,060	139,375	(315)
Contractual service	8,375	9,575	7,224	2,351
Materials and supplies	150,710	158,360	129,076	29,284
Utilities	200	200	132	68
Travel and communications	8,000	8,500	8,547	(47)
Dues and memberships	1,300	1,550	1,550	-
Cultural Activities	11,000	10,000	10,000	-
Capital outlays	-	1,000	895	105
Total Office of Tourism	318,245	328,245	296,799	31,446
Board of Elections				
Contractual service	8,750	7,850	7,283	567
Total Executive	2,174,770	2,171,327	1,881,985	289,342
Legal				
Town Attorney				
Personal service	350,175	350,175	348,302	1,873
Contractual service	30,000	37,350	6,959	30,391
Materials and supplies	11,250	11,050	8,904	2,146
Travel and communications	6,000	6,000	3,100	2,900
Dues and memberships	1,000	1,000	1,255	(255)
Capital outlays	6,000	6,500	560	5,940
Total Legal	404,425	412,075	369,080	42,995
Finance				
Finance Department				
Personal service	727,385	727,385	702,871	24,514
Contractual service	900	900	637	263
Materials and supplies	104,500	104,500	103,581	919
Travel and communications	6,800	6,800	4,438	2,362
Dues and memberships	385	385	265	120
Total Finance Department	839,970	839,970	811,792	28,178
Total General Government	3,636,555	3,739,862	3,239,140	500,722

(Continued)

**TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Planning, Zoning and Community Development				
Planning and Zoning				
Personal service	\$ 343,875	\$ 343,875	\$ 312,866	\$ 31,009
Contractual service	14,200	24,200	4,388	19,812
Materials and supplies	9,475	60,925	6,300	54,625
Travel and communications	5,400	5,400	2,658	2,742
Dues and memberships	500	500	365	135
Capital outlays	22,500	56,000	40,807	15,193
Cultural activities	10,000	20,000	191	19,809
Total Planning and Zoning	405,950	510,900	367,575	143,325
Economic Development				
Contributions to other entities	8,515	8,515	8,541	(26)
Total Economic Development	8,515	8,515	8,541	(26)
Boards and Commissions				
Personal service	18,300	18,300	12,084	6,216
Contractual service	1,000	1,000	455	545
Materials and supplies	4,225	4,225	1,996	2,229
Travel and communications	3,500	3,500	907	2,593
Dues and memberships	100	100	-	100
Joint operations	9,000	9,000	8,444	556
Total Boards and Commissions	36,125	36,125	23,886	12,239
Total Planning, Zoning and Community Development	450,590	555,540	400,002	155,538
Police				
Police Department				
Personal service	3,650,700	3,677,845	3,682,527	(4,682)
Fringe benefits	-	-	149	(149)
Contractual service	8,675	4,200	3,332	868
Materials and supplies	299,025	281,105	276,851	4,254
Travel and communications	54,500	67,200	61,250	5,950
Dues and memberships	3,900	1,320	1,146	174
Joint operations	26,760	30,432	26,084	4,348
Capital outlays	102,585	146,685	(24,136)	170,821
Total Police Department	4,146,145	4,208,787	4,027,203	181,584
Engineering and Public Works				
Engineering				
Personal service	46,055	46,055	48,520	(2,465)
Contractual service	1,500	1,500	-	1,500
Materials and supplies	23,350	25,850	13,707	12,143
Travel and communications	7,000	7,000	7,197	(197)
Dues and memberships	2,000	2,000	1,561	439
Capital outlays	-	-	-	-
Total Engineering	79,905	82,405	70,985	11,420

(Continued)

**TOWN OF FRONT ROYAL, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Streets and Sidewalks				
Personal service	\$ 724,980	\$ 724,980	\$ 728,846	\$ (3,866)
Contractual service	26,000	26,300	1,574	24,726
Materials and supplies	658,750	567,003	460,519	106,484
Travel and communications	8,500	8,500	5,039	3,461
Utilities	30,000	30,000	20,211	9,789
Dues and memberships	50	50	20	30
Capital outlays	463,500	1,095,104	565,591	529,513
Total Streets and Sidewalks	<u>1,911,780</u>	<u>2,451,937</u>	<u>1,781,800</u>	<u>670,137</u>
General Properties				
Personal service	131,110	131,110	115,441	15,669
Contractual service	10,000	10,350	5,449	4,901
Materials and supplies	54,400	40,550	43,065	(2,515)
Travel and communications	2,000	1,000	1,138	(138)
Utilities	59,000	70,500	76,126	(5,626)
Capital outlays	15,000	78,220	63,127	15,093
Total General Properties	<u>271,510</u>	<u>331,730</u>	<u>304,346</u>	<u>27,384</u>
Horticulture				
Personal service	218,210	243,210	230,796	12,414
Contractual service	35,000	10,000	8,002	1,998
Materials and supplies	31,800	60,112	54,498	5,614
Travel and communications	1,900	1,600	935	665
Utilities	150	250	228	22
Capital outlays	14,000	26,000	4,970	21,030
Total Horticulture	<u>301,060</u>	<u>341,172</u>	<u>299,429</u>	<u>41,743</u>
Total Engineering and Public Works	<u>2,564,255</u>	<u>3,207,244</u>	<u>2,456,560</u>	<u>750,684</u>
Nondepartmental				
Fringe Benefits	259,650	259,650	260,395	(745)
Insurance	346,000	346,000	313,458	32,542
Reserves	-	50,000	-	50,000
Total Nondepartmental	<u>605,650</u>	<u>655,650</u>	<u>573,853</u>	<u>81,797</u>
Subtotal	<u>11,403,195</u>	<u>12,367,083</u>	<u>10,696,758</u>	<u>1,670,325</u>
Transfers to Other Funds				
Economic Development Fund	25,490	25,490	28,490	(3,000)
Total Transfers	<u>25,490</u>	<u>25,490</u>	<u>28,490</u>	<u>(3,000)</u>
Total General Fund Expenditures	<u>\$ 11,428,685</u>	<u>\$ 12,392,573</u>	<u>\$ 10,725,248</u>	<u>\$ 1,667,325</u>

**TOWN OF FRONT ROYAL, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue				Capital Project		Total Nonmajor Governmental Funds
	Downtown Service District	Asset Forfeitures	Economic Development	Community/ Neighborhood	Total	Town Facilities	
Assets							
Cash and cash equivalents	\$ -	\$ 140,013	\$ -	\$ 1,035,209	\$ 1,175,222	\$ -	\$ 1,175,222
Accounts receivable - real estate taxes	2,870	-	-	-	2,870	-	2,870
Interfund advances	-	-	4,500	-	4,500	388	4,888
Total Assets	\$ 2,870	\$ 140,013	\$ 4,500	\$ 1,035,209	\$ 1,182,592	\$ 388	\$ 1,182,980
Liabilities							
Bank advances	\$ 1,512	\$ -	\$ 450,116	\$ -	\$ 451,628	\$ -	\$ 451,628
Accounts payable	-	-	-	-	-	-	-
Deferred revenue	2,870	-	-	-	2,870	-	2,870
Interfund advances	-	49,915	-	97,031	146,946	-	146,946
Total Liabilities	4,382	49,915	450,116	97,031	601,444	-	601,444
Fund Balances							
Restricted for:							
Capital outlays	-	90,098	-	-	90,098	-	90,098
Community development	-	-	-	938,178	938,178	-	938,178
Assigned for capital projects	-	-	-	-	-	388	388
Unassigned	(1,512)	-	(445,616)	-	(447,128)	-	(447,128)
Total Fund Balances	(1,512)	90,098	(445,616)	938,178	581,148	388	581,536
Total Liabilities and Fund Balances	\$ 2,870	\$ 140,013	\$ 4,500	\$ 1,035,209	\$ 1,182,592	\$ 388	\$ 1,182,980

**TOWN OF FRONT ROYAL, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue					Capital Project	Total Nonmajor Governmental Funds
	Downtown Service District	Asset Forfeitures	Economic Development	Community/ Neighborhood	Total	Town Facilities	
Revenues							
Real estate taxes	\$ -	\$ -	\$ 97,250	\$ 379,840	\$ 477,090	\$ -	\$ 477,090
Asset forfeitures	-	7,320	-	-	7,320	-	7,320
Total revenues	-	7,320	97,250	379,840	484,410	-	484,410
Expenditures							
Current							
Support payment of EDA debt issue	-	-	66,762	-	66,762	-	66,762
Contractual service	-	-	-	71,239	71,239	-	71,239
Contributions to other entities	-	-	125,731	-	125,731	-	125,731
Capital outlays	-	217,923	-	-	217,923	-	217,923
Debt Service	-	-	-	-	-	-	-
Total expenditures	-	217,923	192,493	71,239	481,655	-	481,655
Deficiency of revenues under expenditures	-	(210,603)	(95,243)	308,601	2,755	-	2,755
Other Financing Uses							
Transfers in	-	-	28,490	-	28,490	-	28,490
Transfers out	-	-	-	-	-	-	-
Total other financing uses	-	-	28,490	-	28,490	-	28,490
Net change in fund balances	-	(210,603)	(66,753)	308,601	31,245	-	31,245
Fund balances - beginning	(1,512)	300,701	(378,863)	629,577	549,903	388	550,291
Fund balances - ending	\$ (1,512)	\$ 90,098	\$ (445,616)	\$ 938,178	\$ 581,148	\$ 388	\$ 581,536

**TOWN OF FRONT ROYAL, VIRGINIA
ASSET FORFEITURES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Asset forfeitures	\$ 12,000	\$ 7,320	\$ (4,680)
Expenditures			
Capital outlays	207,981	217,923	(9,942)
Deficiency of revenues under expenditures	(195,981)	(210,603)	(14,622)
Fund balances - beginning	300,701	300,701	-
Fund balances - ending	<u>\$ 104,720</u>	<u>\$ 90,098</u>	<u>\$ (14,622)</u>

**TOWN OF FRONT ROYAL, VIRGINIA
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ 97,250	\$ 97,250	\$ -
Expenditures			
Payments in support of EDA debt issue	-	66,762	(66,762)
Contributions to other entities	125,740	125,731	9
Debt Service	-	-	-
Total Expenditures	<u>125,740</u>	<u>192,493</u>	<u>(66,753)</u>
Deficiency of revenues under expenditures	(28,490)	(95,243)	(66,753)
Other Financing Uses			
Transfers in - Debt Service	<u>28,490</u>	<u>28,490</u>	-
Net change in fund balances	-	(66,753)	(66,753)
Fund balances - beginning	<u>(378,863)</u>	<u>(378,863)</u>	-
Fund balances - ending	<u>\$ (378,863)</u>	<u>\$ (445,616)</u>	<u>\$ (66,753)</u>

**TOWN OF FRONT ROYAL, VIRGINIA
COMMUNITY/NEIGHBORHOOD REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues			
Real estate taxes	\$ 379,840	\$ 379,840	\$ -
Expenditures			
Contractual services	727,814	71,239	656,575
Total Expenditures	727,814	71,239	656,575
Deficiency of revenues under expenditures	(347,974)	308,601	656,575
Fund balances - beginning	629,577	629,577	-
Fund balances - ending	\$ 281,603	\$ 938,178	\$ 656,575

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF DIRECTOR OF FINANCE'S ACCOUNTABILITY
JUNE 30, 2015

Assets held by the Director of Finance

Cash on hand		\$	1,608
Cash in banks			
Checking - SunTrust			8,047,572
Checking - SunTrust			14,648
Checking - Union First Market Bank			205,629
Money Market - VA SNAP			3,006,096
Money Market - Wells Fargo			2,503,599
Certificates of deposit			
BB&T	\$	350,000	
Sonabank		123,521	
Union First Market Bank		108,285	
Wells Fargo		84,512	
Virginia Savings Bank		23,632	
Total Certificates of Deposit			<u>689,950</u>
Virginia Local Government Investment Pool			2,939,382
Repurchase Agreement - Union First Market Bank			10,271,636
SunTrust Government & Agency Fund			1,568,865
Union Investment Services			<u>4,567,215</u>
Total Assets			<u><u>\$ 33,816,200</u></u>

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF DIRECTOR OF FINANCE'S ACCOUNTABILITY TO THE TOWN
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds			2015 Totals (Memorandum Only)	2014 Totals (Memorandum Only)
	General	Special Revenue	Proprietary Funds		
Balance July 1, 2014	\$ 9,346,684	\$ 692,349	\$ 21,281,302	\$ 31,320,335	\$ 27,267,303
Receipts (net)					
Proceed on bond debt issued	-	-	1,700,241	1,700,241	10,066,830
Interfund advances/receipts	-	-	150,000	150,000	150,000
General property taxes	1,309,981	477,090	-	1,787,071	1,591,134
Other local taxes	4,122,609	-	-	4,122,609	4,170,154
Permits, fees and licenses	25,410	-	-	25,410	26,251
Fines and forfeitures	172,406	-	-	172,406	157,767
Revenues from use of money and property	65,337	-	119,434	184,771	252,642
Charges for services	34,715	-	30,052,628	30,087,343	27,844,931
Miscellaneous	134,385	-	474,457	608,842	108,115
Recovered costs	-	7,320	-	7,320	199,693
Payment in lieu of taxes	389,041	-	-	389,041	407,661
Intergovernmental	2,638,267	-	-	2,638,267	2,627,215
Total Receipts	8,892,151	484,410	32,496,760	41,873,321	47,602,393
Total Available	18,238,835	1,176,759	53,778,062	73,193,656	74,869,696
Disbursements (net)					
Warrants (checks) issued	10,815,486	481,655	26,823,493	38,120,634	35,275,255
Retirement of indebtedness	-	-	580,000	580,000	7,477,415
Interfund advance payments	170,635	-	-	170,635	150,000
Interest on debt costs	-	-	506,187	506,187	646,691
Total Disbursements	10,986,121	481,655	27,909,680	39,377,456	43,549,361
Transfers in	2,951,585	28,490	-	2,980,075	2,859,710
Transfers (out)	(28,490)	-	(2,951,585)	(2,980,075)	(2,859,710)
Total Transfers In (Out)	2,923,095	28,490	(2,951,585)	-	-
Balance June 30, 2015	\$ 10,175,809	\$ 723,594	\$ 22,916,797	\$ 33,816,200	\$ 31,320,335

**TOWN OF FRONT ROYAL, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2015**

Taxable assessed value of real property	<u>\$ 1,173,106,140</u>
Debt limit (10 percent of assessed value)	\$ 117,310,614
Amount of debt applicable to debt limit	
Gross bonded debt	<u>(13,955,241)</u>
Legal debt margin	<u>\$ 103,355,373</u>

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

STATISTICAL SECTION

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

CONTENTS	PAGE
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	90
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	96
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	100
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	105
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	107

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in										
capital assets	\$ 74,624,593	\$ 71,455,350	\$ 67,935,246	\$ 64,423,422	\$ 62,087,906	\$ 58,899,411	\$ 56,769,628	\$ 53,782,076	\$ 50,772,052	\$ 47,470,993
Restricted	-	-	-	-	-	1,136,560	1,313,146	1,975,178	2,830,559	3,239,409
Unrestricted	6,691,369	7,580,388	7,344,504	6,033,299	5,953,428	5,125,795	4,934,496	5,453,676	5,714,134	2,159,166
Total Governmental										
Activities Net Position	\$ 81,315,962	\$ 79,035,738	\$ 75,279,750	\$ 70,456,721	\$ 68,041,334	\$ 65,161,766	\$ 63,017,270	\$ 61,210,930	\$ 59,316,745	\$ 52,869,568
Business-type Activities										
Net investment in										
capital assets	\$ 19,751,368	\$ 24,625,302	\$ 31,350,568	\$ 34,365,817	\$ 33,201,151	\$ 33,459,029	\$ 34,064,137	\$ 36,419,933	\$ 35,385,515	\$ 44,159,747
Unrestricted	26,004,470	23,052,300	19,679,106	18,511,327	17,843,447	16,659,513	16,446,498	19,440,318	22,940,690	17,389,248
Total Business-type										
Activities Net Position	\$ 45,755,838	\$ 47,677,602	\$ 51,029,674	\$ 52,877,144	\$ 51,044,598	\$ 50,118,542	\$ 50,510,635	\$ 55,860,251	\$ 58,326,205	\$ 61,548,995
Primary Government										
Net investment in										
capital assets	\$ 94,375,961	\$ 96,080,652	\$ 99,285,814	\$ 98,789,239	\$ 92,582,592	\$ 92,358,440	\$ 90,833,765	\$ 90,202,009	\$ 86,157,567	\$ 91,630,740
Restricted	-	-	-	-	-	1,136,560	1,313,146	1,975,178	2,830,559	3,239,409
Unrestricted	32,695,839	30,632,688	27,023,610	24,544,626	26,503,340	21,785,308	21,380,994	24,893,994	28,654,824	19,548,414
Total Primary										
Government Net Position	\$ 127,071,800	\$ 126,713,340	\$ 126,309,424	\$ 123,333,865	\$ 119,085,932	\$ 115,280,308	\$ 113,527,905	\$ 117,071,181	\$ 117,642,950	\$ 114,418,563

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

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
General government and administration	\$ 2,326,711	\$ 2,646,597	\$ 2,832,009	\$ 3,172,642	\$ 3,340,772	\$ 3,161,198	\$ 3,003,366	\$ 3,404,737	\$ 3,610,966	\$ 3,356,075
Public safety	3,276,981	3,513,253	3,658,646	3,686,304	3,873,965	3,821,530	3,890,462	4,226,075	4,256,684	4,071,072
Public works	2,574,487	2,206,629	3,149,846	3,901,830	2,467,186	2,440,880	2,167,403	2,200,764	2,152,085	2,351,087
Planning, zoning, and community development	484,132	567,708	693,455	1,024,574	636,471	596,574	641,552	617,998	720,592	700,053
Culture and recreation	52,985	62,456	66,250	74,044	91,004	105,720	105,801	53,548	22,344	-
Interest on long term debt	28,180	26,549	23,257	19,812	16,205	12,431	8,480	4,345	-	-
Infrastructure depreciation	3,591,054	3,591,054	3,591,054	3,591,054	3,591,054	3,591,054	3,591,054	3,591,054	3,591,054	3,591,055
Total Governmental Activities Expenses	12,334,530	12,614,246	14,014,517	15,470,260	14,016,657	13,729,387	13,408,118	14,098,521	14,353,725	14,069,342
Business-Type Activities:										
Electric	9,523,363	16,250,138	12,600,249	13,535,201	14,119,794	16,888,252	14,466,632	13,293,934	15,469,985	14,906,428
Water	1,964,023	2,343,905	2,471,839	2,231,532	3,023,196	2,742,241	2,799,552	2,953,064	3,075,201	3,042,885
Sewer	2,285,966	2,752,915	2,691,398	2,659,873	3,550,177	2,680,077	3,036,433	2,966,184	3,186,205	3,387,659
Refuse	828,583	876,481	856,529	963,068	1,301,649	931,697	968,124	924,107	929,685	842,450
Total Business-Type Activities Expenses	14,601,935	22,223,439	18,620,015	19,389,674	21,994,816	23,242,267	21,270,741	20,137,289	22,661,076	22,179,422
Total Primary Government Expenses	26,936,465	34,837,685	32,634,532	34,859,934	36,011,473	36,971,654	34,678,859	34,235,810	37,014,801	36,248,764
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	131,037	141,719	111,776	95,947	227,814	155,527	96,447	146,989	142,191	168,283
Public safety	406,081	361,844	283,200	295,958	272,406	276,409	244,888	196,412	357,460	179,726
Public works	18,759	27,757	10,919	18,172	6,366	3,848	2,932	1,458	3,848	817
Planning, zoning, and community development	77,858	101,763	103,277	92,660	93,419	18,182	74,588	25,921	26,251	25,410
Operating grants and contributions	1,447,990	1,858,205	1,872,998	1,912,511	1,870,222	1,960,551	1,967,288	1,998,364	2,047,240	2,094,216
Capital grants and contributions	43,416	170,526	115,062	121,767	93,087	133,154	113,971	10,249	32,554	29,357
Total Governmental Program Revenues	2,125,141	2,661,814	2,497,232	2,537,015	2,563,314	2,547,671	2,500,114	2,379,393	2,609,544	2,497,809
Business-Type Activities:										
Charges for services:										
Electric	11,507,238	15,454,130	15,460,426	15,125,811	15,462,065	16,544,552	15,561,410	16,832,900	17,389,372	17,435,092
Water	3,198,691	3,695,001	3,115,794	3,145,958	2,758,853	3,161,942	3,231,718	4,344,296	4,549,414	5,170,326
Sewer	3,011,979	3,645,537	2,846,667	2,774,605	2,723,871	3,452,860	4,204,653	6,303,357	4,984,234	6,644,753
Refuse	806,968	801,974	934,936	918,611	951,731	927,160	867,388	887,694	994,255	984,191
Capital grants and contributions	71,706	1,094,499	646,430	798,530	-	-	-	-	-	474,457
Total Business-Type Program Revenues	18,596,582	24,691,141	23,004,253	22,763,515	21,896,520	24,086,514	23,865,169	28,368,247	27,917,275	30,708,819
Total Primary Government Program Revenues	20,721,723	27,352,955	25,501,485	25,300,530	24,459,834	26,634,185	26,365,283	30,747,640	30,526,819	33,206,628

(Continued)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense) Revenue										
Governmental Activities	\$ (10,209,389)	\$ (9,952,432)	\$ (11,517,285)	\$ (12,933,245)	\$ (11,453,343)	\$ (11,181,716)	\$ (10,908,004)	\$ (11,719,128)	\$ (11,744,181)	\$ (11,571,533)
Business-Type Activities	3,994,647	2,467,702	4,384,238	3,373,841	(98,296)	844,247	2,594,428	8,230,958	5,256,199	8,529,397
Total Primary Gov't Net Expense	(6,214,742)	(7,484,730)	(7,133,047)	(9,559,404)	(11,551,639)	(10,337,469)	(8,313,576)	(3,488,170)	(6,487,982)	(3,042,136)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes	1,280,730	1,335,686	1,330,595	1,303,327	2,563,604	1,685,744	1,544,123	1,549,507	1,788,416	1,846,740
Sales taxes	586,133	613,495	683,974	690,993	684,300	707,328	726,745	1,418,512	943,728	852,134
Business and occupational taxes	740,268	721,486	708,018	620,567	613,273	633,938	612,660	656,935	672,494	682,756
Franchise and bank stock taxes (*)	213,601	206,989	150,318	1,500	24,167	119,434	254,686	280,149	284,714	303,207
Communication taxes	-	-	-	177,556	178,294	177,411	157,940	162,826	169,927	170,799
Consumer taxes	191,554	240,682	228,828	181,779	190,188	242,677	228,374	221,576	164,137	222,783
Alcoholic beverage taxes	16,316	16,316	16,316	-	-	-	-	-	-	-
Meals and lodging taxes	1,578,910	1,633,723	1,622,217	1,472,392	1,330,656	1,450,203	1,547,442	1,648,350	1,750,295	1,751,540
Virginia pers. prop. tax reduction	280,041	287,878	287,863	287,863	575,726	287,863	287,000	287,000	287,000	287,000
Payment in lieu of taxes	-	-	229,098	1,046,893	307,158	337,469	372,920	401,492	407,661	389,041
Vehicle licenses (*)	-	-	-	-	-	-	350,500	354,605	357,359	362,923
Other general taxes (*)	583,928	541,073	438,560	426,139	472,388	615,452	53,344	71,263	86,720	81,598
Unrestricted investment earnings	209,469	284,273	283,610	119,307	109,480	56,357	123,824	12,113	77,835	65,337
Gain on sale of capital assets and other recoveries	53,342	146,990	-	-	-	-	-	-	-	-
Transfers	2,141,432	1,643,617	1,781,900	1,781,900	1,988,722	1,988,272	2,503,950	2,848,460	2,859,710	2,951,585
Total Governmental Activities	7,875,724	7,672,208	7,761,297	8,110,216	9,037,956	8,302,148	8,763,508	9,912,788	9,849,996	9,967,443
Business-Type Activities:										
Unrestricted investment earnings	497,182	1,097,679	749,734	255,529	254,472	217,969	301,615	(32,882)	174,807	119,434
Transfers	(2,141,432)	(1,643,617)	(1,781,900)	(1,781,900)	(1,988,722)	(1,988,272)	(2,503,950)	(2,848,460)	(2,859,710)	(2,951,585)
Total Business-Type Activities	(1,644,250)	(545,938)	(1,032,166)	(1,526,371)	(1,734,250)	(1,770,303)	(2,202,335)	(2,881,342)	(2,684,903)	(2,832,151)
Total Primary Government	6,231,474	7,126,270	6,729,131	6,583,845	7,303,706	6,531,845	6,561,173	7,031,446	7,165,093	7,135,292
Change in Net Position										
Governmental Activities	(2,333,665)	(2,280,224)	(3,755,988)	(4,823,029)	(2,415,387)	(2,879,568)	(2,144,496)	(1,806,340)	(1,894,185)	(1,604,090)
Business-Type Activities	2,350,397	1,921,764	3,352,072	1,847,470	(1,832,546)	(926,056)	392,093	5,349,616	2,571,296	5,697,246
Total Primary Government	\$ 16,732	\$ (358,460)	\$ (403,916)	\$ (2,975,559)	\$ (4,247,933)	\$ (3,805,624)	\$ (1,752,403)	\$ 3,543,276	\$ 677,111	\$ 4,093,156

* Bank stock tax and vehicle licenses were reclassified effective 2012

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

Fiscal Year	Property	Sales	Business and Occupational	Bank stock, Comm. and Franchise (*)	Consumer	Alcohol Beverage	Meals and Lodging	Virginia PPTR	In Lieu of Taxes	Vehicle License (*)	Other General (*)	Total
2006	1,280,730	586,133	740,268	213,601	191,554	16,316	1,578,910	280,041	-		583,928	5,471,481
2007	1,335,686	613,495	721,486	206,989	240,682	16,316	1,633,723	287,878	-		541,073	5,597,328
2008	1,330,595	683,974	708,018	150,318	228,828	16,316	1,622,217	287,863	229,098		438,560	5,695,787
2009	1,303,327	690,993	620,567	179,056	181,779	-	1,472,392	287,863	1,046,893		426,139	6,209,009
2010	2,563,604	684,300	613,273	202,461	190,188	-	1,330,656	575,726	307,158		472,388	6,939,754
2011	1,685,744	707,328	633,938	296,845	242,677	-	1,450,203	287,863	337,469		615,452	6,257,519
2012	1,544,123	726,745	612,660	177,325	228,374	-	1,547,442	287,000	372,920	350,500	639,145	6,486,234
2013	1,549,507	1,418,512	656,935	442,975	221,576	-	1,648,350	287,000	401,492	354,605	71,263	7,052,215
2014	1,788,416	943,728	672,494	454,641	164,137	-	1,750,295	287,000	407,661	357,359	86,720	6,912,451
2015	1,846,740	852,134	682,756	474,006	222,783	-	1,751,540	287,000	389,041	362,923	81,598	6,950,521

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ 100,975	\$ 100,975	\$ 100,975	\$ 60,975	\$ 60,975	\$ 180,487	\$ 207,520	\$ 196,260	\$ 207,823	\$ 241,290
Restricted	-	-	-	-	-	766,933	766,933	1,300,989	1,900,281	2,211,133
Assigned	-	-	-	-	-	-	-	-	-	1,250,000
Unassigned	5,391,587	6,407,631	6,147,170	5,486,609	5,803,554	5,300,035	5,248,533	5,728,824	6,022,406	5,585,564
Total General Fund	\$ 5,492,562	\$ 6,508,606	\$ 6,248,145	\$ 5,547,584	\$ 5,864,529	\$ 6,247,455	\$ 6,222,986	\$ 7,226,073	\$ 8,130,510	\$ 9,287,987
All Other Governmental Funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,627	\$ 546,213	\$ 674,189	\$ 930,278	\$ 1,028,276
Assigned - capital funds	388	388	388	388	388	388	388	388	388	388
Unassigned, reported in:										
Special revenue funds	1,460,920	1,447,323	1,483,394	919,779	142,836	(331,973)	(405,413)	(312,447)	(380,375)	(447,128)
Total all other governmental funds	\$ 1,461,308	\$ 1,447,323	\$ 1,483,394	\$ 919,779	\$ 143,224	\$ 38,042	\$ 141,188	\$ 362,130	\$ 550,291	\$ 581,536

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES:										
Taxes:										
Property	\$ 1,349,228	\$ 1,356,387	\$ 1,291,255	\$ 1,298,909	\$ 1,896,461	\$ 1,463,695	\$ 1,476,410	\$ 1,452,321	\$ 1,592,285	\$ 1,748,623
Sales	586,133	613,495	683,974	690,993	684,300	707,328	726,745	1,418,512	943,728	852,134
Business and occupational	740,268	721,486	708,018	620,567	613,273	633,938	612,660	656,935	672,494	682,756
Franchise	213,601	206,989	150,318	1,500	24,167	119,434	19,385	87,213	67,191	60,797
Consumer	191,554	240,682	228,828	181,779	190,188	242,677	228,374	221,576	164,137	222,783
Vehicle licenses	246,458	239,854	226,689	223,417	174,686	296,784	350,500	354,605	357,359	362,923
Bank stock	197,212	159,285	160,640	152,245	239,686	259,987	235,301	192,936	217,523	242,410
Meals and lodging	1,578,910	1,633,723	1,622,217	1,472,392	1,330,656	1,450,203	1,547,442	1,648,350	1,750,295	1,751,540
Permits, fees, and licenses	77,858	101,763	103,277	92,660	93,419	18,182	74,588	25,921	26,251	25,410
Fines and forfeitures	307,275	356,631	246,650	252,484	238,363	249,598	213,721	179,666	157,767	172,406
Revenues from use of money and property	209,469	284,273	283,610	119,307	109,480	56,357	123,824	12,113	77,835	65,337
Charges for services	84,363	100,909	73,114	45,165	20,237	16,257	25,811	35,841	37,924	34,715
Miscellaneous	118,667	68,567	49,581	68,954	213,943	143,118	73,568	112,606	108,115	134,385
Recovered costs	98,806	5,213	36,550	43,474	34,043	26,811	31,167	16,746	199,693	7,320
Payment in lieu of taxes	80,200	90,215	229,098	1,046,893	307,158	337,469	372,920	401,492	407,661	389,041
Intergovernmental	1,847,929	2,384,644	2,343,470	2,550,174	2,775,345	2,617,660	2,579,543	2,529,702	2,623,441	2,662,970
Total Revenues	7,927,931	8,564,116	8,437,289	8,860,913	8,945,405	8,639,498	8,691,959	9,346,535	9,403,699	9,415,550
EXPENDITURES:										
General government										
Legislative	135,379	156,788	175,717	173,189	166,884	175,142	155,176	169,241	171,338	176,283
Executive	1,188,427	1,243,995	1,401,822	1,605,219	1,588,909	1,556,528	1,520,025	1,731,960	2,049,108	1,881,985
Legal	215,991	248,934	257,621	416,400	517,295	347,940	342,144	362,854	362,454	369,080
Finance	673,576	748,380	801,115	828,300	790,675	803,686	732,352	811,980	811,502	811,792
Public Safety										
Police	2,926,282	3,153,821	3,439,362	3,467,748	3,560,512	3,546,263	3,598,674	3,881,352	3,973,290	4,245,126
Fire protection	88,073	105,403	18,139	-	-	-	-	-	-	-
Planning, zoning, and community development	434,876	514,404	640,684	953,740	1,193,007	536,085	590,660	556,094	647,358	663,734
Engineering and public works	2,312,554	2,493,932	3,033,398	3,776,368	2,878,813	2,712,420	3,421,997	2,681,719	2,565,474	2,456,560
Parks and recreation	47,596	56,594	61,208	68,924	82,000	95,000	95,000	47,500	20,000	-
Nondepartmental	584,781	532,993	513,067	520,070	518,999	479,931	564,173	630,878	570,287	573,853
Debt Service										
Principal	75,410	70,483	73,774	77,219	80,826	84,600	88,551	93,043	-	-
Interest	28,180	26,549	23,257	19,812	16,205	12,431	8,480	4,345	-	-
Capital outlay	7,246	-	4,415	-	-	-	-	-	-	-
Total Expenditures	8,718,371	9,352,276	10,443,579	11,906,989	11,394,125	10,350,026	11,117,232	10,970,966	11,170,811	11,178,413
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(790,440)	(788,160)	(2,006,290)	(3,046,076)	(2,448,720)	(1,710,528)	(2,425,273)	(1,624,431)	(1,767,112)	(1,762,863)
OTHER FINANCING SOURCES (USES):										
Transfers in	2,245,022	1,740,649	1,878,931	1,878,931	2,085,753	2,085,303	2,503,950	3,007,971	2,859,710	2,980,075
Transfers (out)	(103,590)	(97,032)	(97,031)	(97,031)	(97,031)	(97,031)	-	(159,511)	-	(28,490)
Other sources	-	146,990	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	2,141,432	1,790,607	1,781,900	1,781,900	1,988,722	1,988,272	2,503,950	2,848,460	2,859,710	2,951,585
NET CHANGE IN FUND BALANCES	\$ 1,350,992	\$ 1,002,447	\$ (224,390)	\$ (1,264,176)	\$ (459,998)	\$ 277,744	\$ 78,677	\$ 1,224,029	\$ 1,092,598	\$ 1,188,722
Debt service as a percentage of noncapital expenditures	1.22%	1.11%	0.95%	0.83%	0.99%	1.01%	1.05%	0.98%	0.00%	0.00%

Additional years will be added as information is available.

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

Fiscal Year	Real Property				Personal Property				
	Commercial Residential Property	Public Service	Total Assessed Value	Direct Tax Rate	Motor Vehicles	Business Equipment	Other	Total Assessed Value	Direct Tax Rate
2005	713,445,100	16,664,771	730,109,871	0.13	109,271,685	-	1,024,770	110,296,455	0.60
2006	719,331,408	15,918,461	735,249,869	0.13	103,400,500	-	1,082,710	104,483,210	0.60
2007	768,759,200	15,358,932	784,118,132	0.13	103,206,048	-	965,665	104,171,713	0.60
2008	1,409,727,643	14,984,060	1,424,711,703	0.07	106,118,951	19,346,220	2,170,520	127,635,691	0.60
2009	1,429,456,286	14,984,060	1,444,440,346	0.07	103,750,195	16,769,150	2,082,305	122,601,650	0.60
2010	1,418,723,500	15,826,250	1,434,549,750	0.07	77,266,939	17,878,066	1,850,545	96,995,550	0.60
2011	1,104,745,864	15,826,250	1,120,572,114	0.11	79,013,475	17,575,885	1,575,270	98,164,630	0.64
2012	1,118,318,200	16,425,250	1,134,743,450	0.11	82,719,086	16,645,415	1,534,520	100,899,021	0.64
2013	1,127,434,400	17,274,880	1,144,709,280	0.11	85,157,320	18,291,765	1,545,035	104,994,120	0.64
2014	1,129,575,300	16,808,640	1,146,383,940	0.13	86,666,340	19,232,980	1,557,485	107,456,805	0.64
2015	1,156,264,300	16,841,840	1,173,106,140	0.13	89,785,695	17,204,725	1,311,870	108,302,290	0.64

Source: Warren County Property Assessor's Office

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

Fiscal Year	Town Direct Rates					Overlapping Rates					Total Direct and Overlapping Rates
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Total Direct	Real Estate	Personal Property	Machinery Tools	Mobile Homes	Total Overlapping Rate	
2006	0.13	0.60	0.60	0.13	1.46	0.82	3.15	2.25	0.82	7.04	8.50
2007	0.13	0.60	0.60	0.13	1.46	0.82	3.15	1.30	0.82	6.09	7.55
2008	0.07	0.60	0.60	0.07	1.34	0.68	3.25	2.00	0.68	6.61	7.95
2009	0.07	0.60	0.60	0.07	1.34	0.46	4.00	1.30	0.46	6.22	7.56
2010	0.07	0.60	0.60	0.07	1.34	0.46	4.00	1.30	0.46	6.22	7.56
2011	0.11	0.64	0.64	0.11	1.50	0.59	4.00	1.30	0.59	6.48	7.98
2012	0.11	0.64	0.64	0.11	1.50	0.59	4.00	1.30	0.59	6.48	7.98
2013	0.11	0.64	0.64	0.11	1.50	0.59	4.00	1.30	0.59	6.48	7.98
2014	0.13	0.64	0.64	0.13	1.54	0.61	4.00	1.30	0.61	6.52	8.06
2015	0.13	0.64	0.64	0.13	1.54	0.60	4.00	1.95	0.60	7.14	8.68

Source: Town of Front Royal and Warren County

**TOWN OF FRONT ROYAL, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND 2006**

Taxpayer	2015		Taxpayer	2006	
	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value		Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Boisseau Family LC	\$ 18,270,700	1.56%	Boisseau Family, L.C.	\$ 15,019,100	1.94%
Gateway Plaza Shopping Center	8,313,500	0.71%	Gateway Plaza Shopping Center	6,271,300	0.81%
Shenandoah Square LP	7,948,200	0.68%	Shenandoah Square, L.P.	5,722,900	0.74%
Royal Arms Associates	7,050,000	0.60%	Ramsey, Inc.	5,287,300	0.68%
HWA Enterprises	6,216,600	0.53%	Corr Family	3,522,900	0.46%
HLI Endowment Inc	6,148,600	0.52%	Royal Arms Association	3,340,100	0.43%
Ramsey Inc	5,970,600	0.51%	Cogil Corporation (including Roya	3,220,200	0.42%
MCAP Southerlands LLC	5,747,900	0.49%	CCC Enterprises Inc. of VA	3,029,900	0.39%
Corry Family Real Estate LLC	4,388,300	0.37%	Richmond Homes	2,731,000	0.35%
Faifield Lynn Limited	4,017,900	0.34%	Shenandoah Properties II	2,142,900	0.28%
Total	<u>\$ 74,072,300</u>	<u>6.31%</u>		<u>\$ 50,287,600</u>	<u>6.50%</u>

Source: Warren County Property Assessor's Office

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Subsequent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
2006	1,606,608	1,589,992	98.97%	13,653	1,603,645	99.82%
2007	1,644,061	1,537,604	93.52%	102,857	1,640,461	99.78%
2008	1,631,281	1,531,421	93.88%	94,520	1,625,941	99.67%
2009	1,655,680	1,539,151	92.96%	87,299	1,626,450	98.23%
2010	3,131,608	2,332,404	74.48%	724,690	3,057,094	97.62%
2011	1,802,507	968,065	53.71%	739,838	1,707,903	94.75%
2012	1,833,691	683,918	37.30%	1,042,938	1,726,856	94.17%
2013	1,840,648	928,189	50.43%	780,435	1,708,624	92.83%
2014	2,084,048	1,042,874	50.04%	863,272	1,906,146	91.46%
2015	2,153,232	1,096,456	50.92%	-	1,096,456	50.92%

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.

2010 includes two years of real estate tax levies and collections due to the adoption of a new tax levy process. The 2009 tax levy occurred on December 5, 2009 and the 2010 tax levy occurred on June 5, 2010. The tax levy will continue to be June 5 in subsequent years, with payments due June 5 and December 5.

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

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

Fiscal Year	Governmental	Business Type	Total Primary Government	Personal Income (in \$000's)	Percentage of Personal Income	Population	Per Capita
	Activities General	Activities General					
	Obligation Bonds	Obligation Bonds					
2006	568,496	14,196,756	14,765,252	DNA	DNA	13,720	1,076
2007	498,013	13,643,291	14,141,304	DNA	DNA	14,377	984
2008	424,239	12,756,102	13,180,341	461,432	2.86%	14,475	911
2009	347,020	11,850,070	12,197,090	483,029	2.53%	14,616	835
2010	266,194	13,665,076	13,931,270	466,320	2.99%	14,573	956
2011	181,594	12,725,987	12,907,581	547,521	2.36%	14,440	894
2012	93,043	11,767,674	11,860,717	553,967	2.14%	14,610	812
2013	-	10,750,000	10,750,000	663,896	1.62%	14,666	733
2014	-	12,835,000	12,835,000	700,492	1.83%	15,127	848
2015	-	14,993,354	14,993,354	702,210	2.14%	15,545	965

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

Fiscal Year	General Obligation Bonds	Debt Payable from Enterprise Revenues	Net Bonded Debt	Assessed Value in \$000's	Percentage of Actual Taxable Value of Property	Population	Per Capita
2006	14,765,252	14,196,756	568,496	839,733	0.07%	13,720	41.44
2007	14,141,304	13,643,291	498,013	888,290	0.06%	14,377	34.64
2008	13,180,341	12,756,102	424,239	1,552,347	0.03%	14,475	29.31
2009	12,197,090	11,850,070	347,020	1,567,042	0.02%	14,616	23.74
2010	13,931,270	13,665,076	266,194	1,531,545	0.02%	14,573	18.27
2011	12,907,581	12,725,987	181,594	1,218,737	0.01%	14,440	12.58
2012	11,860,717	11,767,674	93,043	1,235,642	0.01%	14,610	6.37
2013	10,750,000	10,750,000	-	1,249,703	0.00%	14,666	-
2014	12,835,000	12,835,000	-	1,253,841	0.00%	15,127	-
2015	14,993,354	14,993,354	-	1,281,408	0.00%	15,545	-

**TOWN OF FRONT ROYAL, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Warren County	\$ 2,490,000		
Warren County School Board	<u>1,185,000</u>		
Subtotal, overlapping debt	<u>3,675,000</u>	49%	1,800,750
Town of Front Royal (direct debt)	<u>-</u>	100%	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 1,800,750</u></u>

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 78,458,758	\$ 143,323,827	\$ 145,212,163	\$ 145,266,886	\$ 145,073,555	\$ 114,501,165	\$ 114,459,425	\$ 114,460,908	\$ 114,638,394	\$ 117,310,614
Net debt applicable to limit	14,765,254	14,141,304	13,180,341	12,197,090	13,931,270	12,907,581	11,860,717	10,750,000	12,835,000	13,955,241
Legal debt margin	\$ 63,693,504	\$ 129,182,523	\$ 132,031,822	\$ 133,069,796	\$ 131,142,285	\$ 101,593,584	\$ 102,598,708	\$ 103,710,908	\$ 101,803,394	\$ 103,355,373
Net debt applicable to the limit as a percent of debt limit	19%	10%	9%	8%	10%	11%	10%	9%	11%	12%

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

Fiscal Year	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2006	19,022,058	12,918,187	6,103,871	774,862	151,698	926,560	6.59
2007	24,694,321	19,960,695	4,733,626	553,465	553,525	1,106,990	4.28
2008	23,107,557	16,528,362	6,579,195	887,189	578,849	1,466,038	4.49
2009	22,220,514	17,417,903	4,802,611	906,030	531,927	1,437,957	3.34
2010	22,150,992	18,008,335	4,142,657	919,994	506,962	1,426,956	2.90
2011	24,304,483	20,868,331	3,436,152	955,679	593,798	1,549,477	2.22
2012	24,166,784	18,870,789	5,295,995	974,906	631,396	1,606,302	3.30
2013	28,335,365	17,772,057	10,563,308	1,034,264	564,878	1,599,142	6.61
2014	28,092,082	20,376,968	7,715,114	535,000	537,563	1,072,563	7.19
2015	30,353,796	19,830,467	10,523,329	580,000	506,187	1,086,187	9.69

¹Gross revenue includes operating revenues and investment earnings

²Total operating expenses exclusive of depreciation

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

Year	Estimated Population	Personal Income (thousands of dollars)	Household Median Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2005	13,589	433,177	31,877	*	*	*	5,376	3.1%
2006	13,720	437,352	31,877	*	*	*	5,173	2.5%
2007	14,377	458,296	31,877	*	*	*	5,257	3.0%
2008	14,475	461,420	31,877	*	*	*	5,252	3.4%
2009	14,616	483,029	33,048	*	*	*	5,240	7.0%
2010	14,573	466,320	31,999	*	*	*	5,720	6.7%
2011	14,440	547,521	37,917	*	38	*	5,317	6.7%
2012	14,610	553,967	37,917	*	*	*	5,325	5.5%
2013	14,666	663,896	45,268	*	*	*	5,394	5.7%
2014	15,127	700,492	46,307	26,129	*	*	5,493	5.6%
2015	15,545	702,210	46,421	26,129	*	*	5,318	4.8%

*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

**TOWN OF FRONT ROYAL, VIRGINIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND 2006**

2015			2006		
Employer	Employees	% of Total	Employer	Employees	% of Total
Warren County School Board	1,000	13%	Warren County School Board	400	5%
Valley Health System	830	11%	DuPont	400	5%
Family Dollar Services	530	7%	Family Dollar Services	325	4%
Walmart	512	7%	Town of Front Royal	150	2%
Ferguson Enterprises, Inc.	400	5%	Valley Redi-Mix	80	1%
Interbake Foods, LLC	350	5%	Toray Plastics, Inc.	75	1%
Warren County	280	4%	Tartan Textiles	75	1%
FDR Services	200	3%	Precision Systems	75	1%
RSW Regional Jail	140	2%	Walden Foods	60	1%
Christendom College	120	2%	AirPac	50	1%

Source: Estimates from Warren County Economic Development Authority

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	29	29	41	40	38	38	33	37	37	38
Fire Protection	1	1	0	0	0	0	0	0	0	0
Police Protection	45	45	47	47	47	47	47	48	49	49
Highway - Streets	19	22	17	17	17	17	16	17	16	16
Sanitation	13	14	15	13	13	13	14	15	14	14
Water	13	12	13	14	15	15	18	15	15	18
Sewer	18	17	15	15	14	14	17	16	16	16
Electrical	12	14	11	12	13	13	15	15	15	15
Culture and Recreation	1	1	0	0	0	0	0	0	0	0
	151	155	159	158	157	157	160	163	162	166

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Physical arrests	1,398	1,443	1,436	1,108	1,943	1,361	1,777	1,183	1,217	947
Parking violations	1,074	1,063	678	752	841	462	222	364	190	12
Traffic violations	3,739	3,844	3,560	4,379	3,770	3,423	2,666	1,808	1,676	2,632
Wastewater										
New service connections		320	48	33	14	17	17	14	8	30
Average daily treatment in gallons	3,523,000	3,069,310	2,988,613	3,399,715	3,764,984	3,598,000	3,426,000	3,531,000	3,665,000	3,936,000
Water System										
New connections		320	52	32	13	16	20	16	9	34
Average daily consumption	1,708,000	1,708,000	1,976,953	2,143,041	2,182,274	2,065,043	1,453,000	1,875,000	1,875,000	1,875,000
Electric Distribution										
New Connections		320	25	16	4	12	18	20	20	27
Average daily KWH consumption	492,688	493,095	576,589	545,482	552,178	538,679	487,033	528,398	516,708	517,114
Sanitation										
Refuse collected (tons/day)	40	40	22	15	14	20	20	22	23	24
Recyclables collected (tons/day)	0.25	0.25	2.00	2.00	1.20	2.45	1.98	1.46	1.61	1.62
Highway and Streets										
Repair services	55	60	65	55	28	210	366	398	253	151
Street resurfacing (miles)	15.00	27.00	35.00	5.00	11.75	1.44	12.80	1.20	15.61	5.00

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol Units	12	12	12	12	12	12	12	12	20	26
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	143	143	133	133	133	133	133	133	138	132
Streetlights	1,430	1,430	1,430	1,450	1,450	1,450	1,450	1,450	1,470	1,505
Traffic signals	15	15	15	14	14	14	14	14	14	14
Culture and Recreation										
Community centers	1	1	1	1	1	1	1	1	1	2
Parks	13	13	13	13	13	13	13	12	12	20
Park acreage	165	165	165	165	165	165	165	125	125	400
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9	9	2	2	6
Sewer System										
Sanitary sewers (miles)	196	196	198	198	198	198	198	198	198	198
Storm sewers (miles)	90	90	92	92	92	92	92	92	92	92
Treatment plants	1	1	1	1	1	1	1	1	1	1
Max daily capacity	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Water System										
Facilities	1	1	1	1	1	1	1	1	1	1
Fire Hydrants	560	560	582	618	618	668	672	672	672	672
Max daily capacity	3,000,000	3,000,000	3,000,000	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)	140	140	140	140	140	141	141	143	143	143
Distribution stations	3	3	3	4	4	4	4	4	4	5
Sanitation										
Collection Trucks	5	5	5	5	5	5	7	5	5	8

COMPLIANCE SECTION

MITCHELL & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

AMANDA L. MASON, CPA
AMANDA M. HALSEY, CPA

110 EAST MARKET STREET | SUITE 200
LEESBURG, VIRGINIA 20176
P 703.777.4900 | F 703.771.3082
WWW.MCOCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Front Royal, Virginia's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

October 19, 2015
Leesburg, Virginia

Mitchell & Co., P.C.