

**REPORT ON THE
TOWN OF FRONT ROYAL – COUNTY OF WARREN
VOLUNTARY SETTLEMENT AGREEMENT**



**Commission on Local Government
Commonwealth of Virginia**

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REPORT ON THE TOWN OF FRONT ROYAL – COUNTY OF WARREN VOLUNTARY SETTLEMENT AGREEMENT

PROCEEDINGS OF THE COMMISSION

On September 20, 2012, the Commission on Local Government received data and materials from Front Royal Limited Partnership (FRLP) in support of a proposal to annex 604 acres of territory which it owned in Warren County to the Town of Front Royal.¹ Section 15.2-3203 of the Code of Virginia permits voters or owners of real estate to petition for the annexation of property to adjacent municipalities. Such petition must contain the signatures of 51% of the qualified voters or 51% of the owners of real estate in number and land area to be annexed. Front Royal Limited Partnership is the sole owner of real estate in this annexation petition.²

At its meeting on September 27, 2012 the Commission met with representatives of the Town, County, and the property owner for the purposes of making preliminary arrangements for its formal review of the proposed annexation, and to extend an offer of mediation assistance to the parties in an endeavor to effect a negotiated settlement. At that meeting, the Commission established a schedule which called for the submission of the Town and County's material in response to the annexation action on December 20, 2012; for oral presentations and a public hearing on the issue in late March 2013; and for submission of the Commission's report in May 2013. At that meeting the Commission also delegated authority to the Chairman to appoint an independent mediator to assist the parties in negotiations relative to the annexation action should the parties agree to and jointly request mediation.

The Town, County, and landowner eventually reached an agreement after a series of public meetings and negotiations, without utilizing the Commission's offer of mediation assistance, and the agreement was presented to the Commission on September 19, 2013.³ The parties also gave notice of the proposed agreement to 13 other localities with which they were contiguous or with which they shared functions, revenues, or tax sources.⁴ This proposed agreement contained provisions which would provide for (1) the annexation to the Town of Front Royal of approximately 604 acres of territory located in Warren County; (2) arrangements for the future land use and zoning requirements for such territory,

¹ Front Royal Limited Partnership, Front Royal Limited Partnership Notice of Citizen Initiated Petition for Boundary Adjustment, the Town of Front Royal and the County of Warren, Virginia (hereinafter cited as the "FRLP 2012 Submission"), September 19, 2012, which contained supporting materials; however, the notice as required by Sec. 15.2-2907 (A) of the Code of Virginia was not included in this submission. Such required notice was not received by the Commission until October 10, 2012, in the following document: "In the matter of the Notice of Front Royal Limited Partnership, a Virginia limited partnership, landowner in the County of Warren, Virginia, of its intention to petition the Circuit Court for the County of Warren requesting that certain territory located in the County of Warren, Virginia, a political subdivision of the Commonwealth, be annexed to the Town of Front Royal, an incorporated Town of the Commonwealth; pursuant to Article 1 of Chapter 32 of Title 15.2, Code of Virginia (1950), as amended."

² FRLP Submission, p. 11.

³ Warren County and Town of Front Royal, Virginia, Notice to the Commission on Local Government, September 19, 2013, hereafter cited as the "Notice".

⁴ Ibid., and Warren County, Supplemental Notice by the County of Warren, October 21, 2013.

to include the acceptance of certain proffered conditions upon the rezoning of such territory; and (3) for other matters.⁵

The Commission noted that the parties to the negotiated settlement include the Town, County, and FRLP, and that Section 15.2-3400 of the Code of Virginia provides that only two or more localities may be parties to a voluntary settlement agreement, and as such FRLP could not be a party to the final agreement.⁶ For the purposes of conducting its review, the Commission proceeded with the agreement as submitted, although the parties later submitted a draft revised agreement that removes FRLP as a party to the agreement, while still achieving the same outcome as the original submission.⁷

The Commission convened in Front Royal on November 18, 2013 to tour the Town and relevant areas in Warren County, to receive oral testimony from local officials and FRLP regarding the agreement, and to conduct a public hearing for the purpose of receiving citizen comment. The public hearing, which was advertised in accordance with Section 15.2-2907(B) of the Code of Virginia, was attended by approximately 33 persons and produced testimony from five individuals. In order to permit receipt of additional public comment, the Commission agreed to keep open its record for written submissions through December 2, 2013.

SCOPE OF REVIEW

The Commission on Local Government is directed by law to review proposed annexations and other local boundary change and transition issues, as well as negotiated agreements settling such matters, prior to their presentation to the courts for ultimate disposition. Upon receipt of notice of such a proposed action or agreement, the Commission is directed to “hold hearings, make investigations, analyze local needs” and to submit a report containing findings of fact and recommendations regarding the issue to the affected local governments.⁸ With respect to a proposed agreement negotiated under the authority of Section 15.2-3400 of the Code of Virginia, the Commission is required to determine in its review “whether the proposed settlement is in the best interest of the Commonwealth.”

As we have noted in previous reports, it is evident that the General Assembly encourages local governments to attempt to negotiate settlements of their interlocal concerns. One of the statutory responsibilities of this Commission is to assist local governments in such efforts. In view of this

⁵ Voluntary Settlement Agreement between the Town of Front Royal, Virginia, Warren County, Virginia, and Front Royal Limited Partnership (hereinafter cited as the Original Draft VSA), August 21, 2013. A copy is attached as Appendix A.

⁶ Assistant Attorney General Steven Jack, telephone conversation, September 2013. Commission staff consulted the Office of the Attorney General to determine whether the Commission could proceed with its review of this matter because of FRLP’s inclusion as a party in the agreement. The Commission was advised that it had received a notice pursuant to Sections 15.2-2907(A) and 15.2-3400(3) of the Code of Virginia, obligating it to initiate this review, and that the issue regarding a private party in the agreement could be addressed through the Commission’s findings and recommendations.

⁷ Voluntary Settlement Agreement between the Town of Front Royal, Virginia, Warren County, Virginia, and Front Royal Limited Partnership (hereinafter cited as the Revised Draft VSA), revised October 18, 2013. Approval of this revised draft agreement has not yet been indicated by the parties; however, Sec. 15.2-3400(4) of the Code of Virginia directs localities to re-adopt of the original, or a revised agreement following the Commission’s review. The Commission considered this revised document in its review of this matter.

⁸ Section 15.2-2907(A), Code of Virginia.

legislative intent, the Commission believes that proposed interlocal agreements, such as that negotiated by the Town of Front Royal and Warren County, should be approached with respect and presumption of their compatibility with applicable statutory standards. The Commission notes, however, that the General Assembly has decreed that interlocal agreements negotiated under the authority of Section 15.2-3400 of the Code of Virginia shall be reviewed by this body prior to their final adoption by the local governing bodies. We are obliged to conclude, therefore, that while interlocal agreements are due respect and should be approached with a presumption of their consistency with statutory standards, such respect and presumption cannot be permitted to render our review a *pro forma* endorsement of any proposed settlement. Our responsibility to the Commonwealth and to the affected localities requires more.

In our review of this matter, it is important to note that FRLP's desire to develop this property is linked to the proposed annexation; however, the Commission's scope is limited to reviewing the proposed agreement to determine whether it is in the best interest of the Town, County, the annexation area, and the Commonwealth. The Commission has been mindful in its review that many of the concerns brought forward by citizens are matters that are more appropriately resolved through the rezoning process.

GENERAL CHARACTERISTICS OF THE TOWN, THE COUNTY, AND THE AFFECTED AREAS

Town of Front Royal

The Town of Front Royal was incorporated in 1788, and is located between Interstate 66 and Shenandoah National Park, at the junction of the North and South Forks of the Shenandoah River.⁹ The Town of Front Royal's population increased from 13,589 to 14,440 persons, or by 6.26%, between 2000 and 2010. Based on its land area of 9.40 square miles and the 2010 population, the Town has a population density of 1,521.60 persons per square mile.^{10 11}

The population of the Town is older and less wealthy than the State as a whole. As of 2011, the median age of Town residents was 39.0 years, compared with 37.3 for Virginia as a whole, and the percentage of the population that was age 65 or older was 14.6%, compared to 12.1% for Virginia. With regard to income, the Census estimated that, in 2011, the median household income in the Town was \$62,583, which is 82.4% of the statistic for the Commonwealth as a whole (\$75,962).¹²

With respect to land available for future growth in Front Royal, recent land use data indicate that about 32.2% (1,936 acres) of the Town is currently undeveloped. Of this acreage, 1,323 acres are inhibited by development constraints such as floodplains, slopes in excess of 15%, or restrictive easements, leaving

⁹ Town of Front Royal, Our Vision of Front Royal: 1997 Town Plan (hereinafter cited as Town Comprehensive Plan), pp. 6 and 21b.

¹⁰ Town of Front Royal Supplemental Submission Regarding Town Land Use Information (hereinafter cited as Town Land Use Information).

¹¹ U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 1; Census 2010, Summary File 1.

¹² U.S. Department of Commerce, Bureau of the Census, 2007-2011 American Community Survey.

approximately 613 acres, or 10.18% of its total area, in parcels that are vacant and suitable for development.¹³

County of Warren

Warren County was established in 1836 from portions of Frederick and Shenandoah Counties.¹⁴ Between 2000 and 2010, the County's population increased from 31,584 to 37,575, or by 18.97%. On the basis of the 2010 population and an area of 216.74 square miles, the locality has a population density of 173.36 persons per square mile.¹⁵

With respect to the characteristics of its population, Warren County's population is also older than the State as a whole, and the income of its residents is comparable with the statewide median. The 2011 median age of County residents was 39.8 years, which is greater than the statewide median age (37.3). Moreover, the percentage of its populace age 65 and over was 12.7, which is slightly greater than the rate for the State as a whole (12.1%). Regarding income, the 2011 estimated median household income was \$72,622, or 95.6% of the comparable figure for the entire State (\$75,962).¹⁶

With regard to the nature of its economy, employment data indicate that, between 2001 and 2011, the number of nonagricultural wage and salary employment positions in the County increased from 9,935 to 11,575, or by 16.51%, while the number of workers residing in the county increased at an even greater rate, from 16,733 to 20,904, or by 24.93%, indicating that a considerable number of new residents commute outside of the County for employment.¹⁷ This is supported by commuting statistics that indicate that as of 2011, 72.8% of workers residing in the county commute to work outside of the County, with over 30% of its labor force commuting to employment in Fairfax, Loudoun, or Prince William Counties.¹⁸

Areas Proposed for Annexation

The area proposed for annexation through the settlement agreement is owned by Front Royal Limited Partnership, and encompasses approximately 0.94 square miles (604 acres), and is adjacent to public water and sewer lines.¹⁹ This undeveloped, uninhabited property is currently zoned by Warren County for agricultural purposes.^{20 21} The land is assessed at \$5,661,600; however, the property currently is taxed under a land use assessment program at \$179,300, resulting in deferral of most all of the real property tax revenue potential from this land until which time it ceases to be used for agricultural

¹³ Town Land Use Information.

¹⁴ Salmon, Emily J. and Edward D.C. Campbell Jr., The Hornbook of Virginia History, 4th ed. (Richmond: Library of Virginia, 1994), p. 170.

¹⁵ U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 1; Census 2010, Summary File 1.

¹⁶ U.S. Department of Commerce, Bureau of the Census, 2007-2011 American Community Survey.

¹⁷ U.S. Department of Labor, Bureau of Labor and Statistics, Quarterly Census of Employment and Wages, 2001 and 2011; and Local Area Unemployment Statistics, 2001 and 2011.

¹⁸ Virginia Employment Commission, Community Profile: Warren County, Virginia, November 23, 2013, p. 11.

¹⁹ FRLP Submission, pp. 11 and 13.

²⁰ Response of Warren County to Commission's Requests for Answers to Specific Questions (hereinafter cited as the County Response), November 7, 2013.

²¹ Zoning Map of Warren County, VA, revised August 8, 2013.

uses.²² Approximately 22.5 acres of the land proposed for annexation is constrained by floodplains or steep slopes, therefore 581.5 acres (96.3%) of the property is vacant land with little to no development constraints.²³

STANDARD FOR REVIEW

As a previous section of this report has noted, the Commission on Local Government is charged with reviewing proposed interlocal settlements negotiated under the authority of Section 15.2-3400 of the Code of Virginia to determine whether such settlements are “in the best interest of the Commonwealth.” In our judgment, the State’s interest in this and other proposed interlocal agreements is fundamentally the preservation and promotion of the general viability of the affected localities. In this instance, the Commission is required to review an interlocal agreement which provides for: (1) the annexation to the Town of Front Royal of approximately 604 acres of territory located in Warren County; (2) arrangements for the future land use and zoning requirements for such territory, to include the acceptance of certain proffered conditions upon the rezoning of such territory; and (3) for other matters. A proper analysis of the proposed Town of Front Royal-Warren County settlement agreement, as mandated by statute, requires consideration of the ramifications of these provisions with respect to the current and future viability of the two jurisdictions.

Interests of the Town of Front Royal

Land for Development

As indicated previously, the Town of Front Royal currently has within its boundaries approximately 1,936 acres of undeveloped land, which constitutes 32.2% of the Town’s total land area. Excluding property inhibited by development constraints, the Town has about 613 acres, or 10.18%, of its total land area vacant and generally amenable to development.²⁴ The proposed agreement would permit the Town to annex an area containing approximately 581.5 acres of vacant land generally suitable for development.²⁵

The agreement includes a conceptual development plan for the property, including residential, mixed use, and open space areas, and it is required to be incorporated into the Town’s (and County’s) comprehensive plans. Any changes to this conceptual plan would require the mutual consent of the Town and County. The agreement further stipulates that upon annexation the property will be zoned into the Town’s “Agricultural and Open Space Preservation District A-1,” and restricts the number of dwelling units that can be approved through a rezoning on the property to no more than 818; however,

²² Town of Front Royal, Petition, Notice, Resolution, and Supporting Submissions for Hearing and Report on A Voluntary Settlement Agreement (hereinafter cited as Town Response). p. 5; Blair Mitchell, Warren County Attorney, Email to Commission staff, December 30, 2013; and Town of Front Royal Municipal Code, Sections 75-18 through 75-22.

²³ County Response, p. 3.

²⁴ Town Land Use Information.

²⁵ County Response, p.3. The Town’s analysis of vacant land constraints considered “steep slopes” to be slopes in excess of 15%, whereas the information on the FRLP property considered 40% or more to be “steep slopes.” The town likely has much more likely developable land currently, due to the lower 15% figure used in the analysis.

there is no restriction on the number of age-restricted dwelling units for older populations, or on commercial activity.²⁶

In summary, the proposed agreement should provide the Town of Front Royal with access to additional developable land. The agreement also establishes some limitations as to the future uses that would be permitted when the property is rezoned for development in the future.

Fiscal Assets and Public Service Liabilities

Fiscal Assets. The Town of Front Royal, which is the focal point of development within Warren County, has experienced growth in property values, but not to the extent realized by the County. From FY2003 to FY2012, commercial and residential property values in the Town have increased from \$577.8 million to \$1.12 billion; a rate of 93.5%.²⁷ Assessed real estate values in the County have increased from \$1.60 billion to \$3.78 billion over the same period; an increase of 136.9%.²⁸

Local-source revenues of the Town have grown at a smaller rate than the County in the last ten years. These revenues of the Town have increased from \$3.9 million in FY2003 to \$5.2 million in FY2012; an increase of 32.1%.²⁹ Local-source revenues of the County have grown from \$24.4 million to \$40.9 million over the same span; an increase of 68.0%.³⁰ It should also be noted that local source revenues of the Town have increased by 2.5% since FY2008, while County revenues have increased by 9.8% over the same period.³¹ While the recession has clearly impacted both localities, the data indicates that the Town has experienced a more difficult recovery, as since 2008 the Town has experienced nominal decreases in receipts in three of their four largest sources of local tax revenues.³²

Due to the property's vacant condition, the Town estimates a nominal increase to its real estate tax collections, because of the land use assessment status of the property.³³ Local source revenues generated by the property for the Town could grow dramatically if the area is rezoned and developed as FRLP intends.

Public Service Liabilities. Additional expenditures to the Town immediately after annexation should be minimal. There aren't any residences or businesses on the property that will require public services. If the land is rezoned and developed, the Town will need to provide urban services to the region; however

²⁶ Original Draft VSA, Section 3.

²⁷ Town of Front Royal, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2012 (hereinafter referred to as Town 2012 CAFR), p. 76.

²⁸ County of Warren, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2012, (hereinafter referred to as County 2012 CAFR), p. 102.

²⁹ Town 2012 CAFR, p. 75. Totals are computed by adding all taxes together.

³⁰ County 2012 CAFR, p. 98. Totals are computed by adding "general property taxes" and "other local taxes."

³¹ Town 2012 CAFR, p. 75; County 2012 CAFR, p. 98. Town revenues in FY2008 were \$5,071,939 and County revenues were \$36,878,601.

³² Appendix C, Table 3. The four largest revenue sources to the Town are: (1) property taxes, (2) business, professional, occupational, and licensure taxes, (3) meals and lodging taxes, and (4) local option sales taxes. Only sales taxes experienced increases in revenues since 2008.

³³ Town Response, p. 5. Because of the land use assessment program, real property taxes on all but the "use value" of the land would be deferred until the land is no longer in agricultural use. This property would only generate \$197.23 in real property revenues for the Town based on the land use assessment.

those costs cannot be estimated at this time.³⁴ If the property is rezoned and developed as currently proposed, the capital costs for the installation of water and sewer lines would be borne by the property owner.³⁵

Additionally, a proposed roadway, known as the East-West Connector, traverses the subject property and would relieve traffic from Happy Creek Road.³⁶ Proffered conditions from a 2010 rezoning on an adjacent tract located within the existing corporate limits, and also owned by FRLP, provide for the developer to construct a portion of the East-West Connector, with the final phase to be completed by the Town using cash proffers.³⁷ After the proposed annexation is complete, the property will need to be rezoned to permit the development that was conceptually settled upon in the agreement. The Town can negotiate with the landowner at that time for proffers on the newly-annexed property to address the traffic impacts generated by its development, and to further ensure that the development of this property is coordinated with the completion of that roadway. The proposed voluntary settlement agreement itself does not provide for the completion of the East-West Connector, although it contains language detailing the arrangements for right-of-way dedications along a portion of the Connector.³⁸

The overall fiscal impact of the proposed annexation is anticipated to be minimal for the property in its existing undeveloped state. Most of the upfront expenses associated with serving this property as it develops would be the responsibility of the developer rather than the Town through utility and transportation improvements. Other new costs incurred to serve the property would fall upon the Town; however, the development of this property will take several years, allowing the Town to absorb the impact of the additional service demands.

Interests of the Areas Proposed for Annexation

Community of Interest

One of the factors appropriate for consideration in the analysis of proposed voluntary settlement agreements is the strength of the community of interest that joins the area proposed for annexation to the adjacent municipality. In this instance, the evidence suggests that there exists a significant degree of interdependence between the areas subject to immediate and future annexation to the adjacent municipality.

First, the Town is the provider of water and sewer services to several properties in the area, and will be the provider for these services when this parcel develops. Other entities serving the areas proposed for

³⁴ Douglas W. Napier, Front Royal Town Attorney, Letter to Commission, December 1, 2013. The Town would not provide an estimate of the proposed fiscal impact of FRLP developing the parcel, in part, because FRLP has not yet developed plans that are specific enough to determine the intensity of the development.

³⁵ Original Draft VSA, Section 2.3.

³⁶ FRLP 2012 Submission, p. 50.

³⁷ Front Royal Limited Partnership, Proffer Statement - RZ09-02-64, revised January 29, 2010, Section 11.

³⁸ Original Draft VSA, Section 3.4.5.

annexation that also serve the existing Town include the County's fire and rescue unit that is located within the Town, the County Library and Warren County Public Schools.³⁹

Further, the Town of Front Royal is a major focal point of commercial activity serving the area proposed for annexation as well as the overall vicinity. In 2007, the most recent year for which the data is available, 74.35% of the retail sales in the County occurred within the Town, whereas only 38.43% of the 2010 population of the County was located within the Town.⁴⁰ Although significant commercial growth has occurred within the unincorporated portions of the County in the ensuing years, it is reasonable to infer that the Town's commercial establishments serve to a substantial extent the needs of residents and businesses in the areas adjacent to the municipality.

Finally, upon development of the property as is currently proposed, the annexation area will have an urban character and service needs which will more closely parallel those of the Town than those of the outlying portions of the County. Any development that occurs on this property will essentially be an extension of development patterns that originated in the Town.

For the reasons cited above, the Commission finds that the area proposed for annexation has a strong relationship with the existing Town of Front Royal, comprising a noteworthy community of interest.

Need For Urban Services

The 604 acres of territory proposed for annexation by the Town of Front Royal contain no residents, and accordingly does not require urban services. The property, if developed as currently anticipated, would increasingly need the urban services provided by the Town.

Water and Sewer Service. The Town of Front Royal is the provider of water and sewer service to the immediate area. The Town's water treatment plant, which uses the South Fork of the Shenandoah River as its raw water source, can receive and treat 4.0 million gallons a day (MGD). Currently, the water system consumes an average of 2.0 MGD, or about half of its capacity. With respect to its storage facilities, the Town has four storage tanks which collectively hold 7.1 million gallons of treated water, or over a three-day supply. The distribution system serves 6,101 connections, with 334 of those located outside of the town limits.⁴¹

The Town also owns and operates a sewage collection system that serves 5,769 customers, 334 of which are located in unincorporated portions of Warren County. Sewage collected by the Town's system is treated at the Town's wastewater treatment plant, which has a rated capacity of 4 MGD. The plant currently treats an average daily flow of 3 MGD, about three-quarters of its capacity; however, the Town is in the process of adding an additional 1.3 MGD of capacity to the plant.⁴²

³⁹ *Ibid.*, Section 2.3; and Warren County, Comprehensive Plan 2013 (hereinafter cited as County Plan), maps 5.2, 5.3, 5.4, and 7.1.

⁴⁰ U.S. Department of Commerce, 2007 Economic Census.

⁴¹ Town Response, pp. 13-14.

⁴² *Ibid.*, pp. 11-12.

The proposed annexation will not have an immediate impact with respect to public water and sewer services; however, the development potential of this land will be greatly enhanced by the availability of public utilities.

The Town's policies for permitting out-of-town extensions to its water and sewer system generally discourage extensions to serve residential uses, but does allow for additional commercial and industrial users in unincorporated areas.⁴³ If water and sewer lines were not permitted to serve the property, private well and septic systems would have to be utilized, thereby limiting the number of dwelling units that could be built on the property. The Commission notes that any developer would be responsible for extending those lines to serve the development, and when the subject property is rezoned for development, the Town can evaluate the proposed development's impact, and negotiate proffers to mitigate the demands that would be placed on the Town's utility system. Lastly, and most noticeable to the average citizen, the future occupants of this land, will enjoy in-town water and sewer service charges, as the Town has a 100% surcharge for out-of-town utility customers.⁴⁴

Solid Waste Collection and Disposal. The Town of Front Royal provides weekly solid waste and recycling collection services to its residents and businesses, which is financed through user fees. In addition, the Town also provides pickup of bulky items and yard waste. The Town disposes of its refuse at Warren County's transfer station, from where it is then hauled to a landfill outside of the County.⁴⁵

Warren County does not provide any solid waste collection services to its residents. County residents can dispose of their household waste at several County-operated trash collection sites or contract with a private entity for garbage collection.⁴⁶

At the present time, the area proposed for annexation has minimal need for solid waste collection and disposal services. As the property develops, there will be an increasing need for a higher level of refuse collection services such as that offered by the Town of Front Royal. The general availability of publicly financed solid waste collection services promotes the use of that service, reduces the incidence of illegal disposal and has a beneficial effect on a community.

Planning, Zoning, and Subdivision Regulation. The Town of Front Royal conducts its public planning efforts with the assistance of a planning commission and guided by a comprehensive plan that was adopted in 1998, has undergone several revisions, and is currently being updated.⁴⁷ The Town has also adopted a five-year capital improvements program to identify capital projects needs and proposed sources of funding.⁴⁸ The Town's subdivision ordinance prohibits the construction of private streets, and requires the installation of curb, gutter, sidewalks, and the utilization of public water and sewer.⁴⁹ The Town's zoning ordinance authorizes the use of conditional zoning which enables the jurisdiction to

⁴³ County Plan, pp. 7-2 and 7-5; and Town of Front Royal Municipal Code, Section 134-1(C).

⁴⁴ Town Response, p. 19.

⁴⁵ Ibid., pp. 34-37.

⁴⁶ County Response, p. 7.

⁴⁷ Town Comprehensive Plan; and Town Response, p. 32.

⁴⁸ Town Response, p. 21.

⁴⁹ Ibid., p. 52; and Town of Front Royal Municipal Code, Sections 134-1, 148-40, and 148-41.

mitigate the impact of development on public services.⁵⁰ At the present time, the Town has a staff of three full-time employees and one part-time employee dedicated to the administration and management of its planning and land development controls.⁵¹

Warren County also utilizes a planning commission and a comprehensive plan in its efforts to guide its development. The current version, which was adopted in 2012, is also supplemented with a five-year capital improvements plan, also last updated in 2012.⁵² The County also has a subdivision ordinance to ensure orderly development; however, those regulations are also adapted for rural development, allowing private streets and by not requiring sidewalk, curb and gutter installation in large-lot subdivisions.⁵³ It should be noted that Warren County's comprehensive plan classifies the property as appropriate for agricultural uses, which would limit the property's suggested development potential to no more than two to ten acres per dwelling unit, or 60 to 302 dwellings.⁵⁴ Warren County currently maintains a staff of five persons for the management and implementation of its planning and development control activities.⁵⁵

The Town and County currently review each other's rezoning proposals under an agreement which permits the County to suggest appropriate proffers for impacts on County services, and for the Town to suggest appropriate proffers for impacts to its transportation network or for provision of water and sewer by the Town.⁵⁶

Following the effective date of the annexation, the Town and County will be required to amend their respective comprehensive plans to incorporate the conceptual development plan included in the settlement agreement, and any proposed rezoning on this tract would be evaluated by the Town of Front Royal for compliance with its comprehensive planning documents, including that concept plan. The agreement also ensures that any rezoning for the property must limit the property to no more than 818 dwelling units (although the number of age-restricted dwellings is unlimited), sets forth minimum sizes for single-family units, and ensures that a cash proffer for each dwelling is provided to offset the impacts to Warren County's schools.⁵⁷ The Town of Front Royal also will extend its planning and development controls to the area upon annexation. The Town's planning and subdivision ordinances, which are designed to address the needs of urban and urbanizing areas, should result in a more consistent and comprehensive approach to managing future growth.

Crime Prevention and Detection. Since the law enforcement activities of Virginia's towns supplement those provided by a county Sheriff's office, the proposed annexation by the Town of Front Royal will have the effect of providing additional and more intense law enforcement services in the areas annexed. The Town presently has 38 sworn law enforcement personnel, 26 of whom are assigned patrol

⁵⁰ Ibid., Section 175-50.

⁵¹ Town Response, p. 29.

⁵² County Plan; and Warren County, Capital Improvements Plan, FY 2012-2013.

⁵³ Warren County Code, Chapter 155: Subdivision of Land; and County Response, pp. 8 and 9.

⁵⁴ County Plan, p. 4.32, and Map 4.2.

⁵⁵ County Response, p. 7.

⁵⁶ Town Response, p. 23.

⁵⁷ Original Draft VSA, Section 3.

responsibility. This staffing level is sufficient to give the Town one patrol officer per 555 residents. In terms of patrol activity, the Town maintains officers on its streets 24-hours per day, with a minimum of four patrol officers on duty at all times. This staffing arrangement provides the Town with patrol coverage of at least one officer for each 2.37 square miles of territory. Another measure of the intensity and adequacy of patrol service in a locality is the number of calls for service borne by each law enforcement position. The Town's data indicate that, during calendar year 2012, each patrol officer in the Town was responsible for an average of 628 calls for service. The average patrol staffing level in the Town and the incidence of activity requiring police response permitted the police department to respond to calls for service in an average of eight minutes for non-emergency requests, and two minutes for emergency calls. The County and Town law enforcement agencies also cooperate with a mutual aid agreement, whereby each agency provides support to the other upon request.⁵⁸

The Warren County Sheriff's Office has primary law enforcement responsibility for areas outside of the Town limits. The Office has 110 full- and part-time employees assigned to law-enforcement, 50 of whom are dedicated to patrol responsibility. Therefore, the County (including the Town) has one patrol deputy for every 752 residents, or one for every 4.3 square miles. During 2012, the Office responded to 102,590 calls for service, or 2,052 per patrol deputy.⁵⁹

Because the land proposed for annexation is currently vacant and largely in agricultural use, there is little demand for police protection; however, as the property develops, it should benefit from the higher intensity of law enforcement officers that are available to residents of the Town.

Public Works. The proposed annexation will result in the application of the Town's policies and procedures for the construction and maintenance of various public works in the annexed areas. The Town of Front Royal's policies and procedures are, in our view, properly designed to meet the needs of urbanizing areas and should be increasingly beneficial to the residents and businesses incorporated into the Town.

Street Maintenance. The Town of Front Royal will assume responsibility for the construction and maintenance of roads in the annexed area, to also include snow removal, street cleaning and grass mowing and right-of-way maintenance. The ability of the Town to schedule and administer the maintenance of its public thoroughfares, as well as its apparent willingness to appropriate and expend local funds for that purpose, will benefit the area. With respect to the latter point, the data indicate that during the five-year period from FY2008 through FY2012, the Town expended approximately \$1.54 million in local funds to improve and maintain approximately 138.18 lane-miles of public roadway within its corporate boundaries.⁶⁰ The proposed annexation area does not contain any public roads, and therefore will not require additional expenditures immediately upon annexation.⁶¹ However, as the

⁵⁸ Town Response, pp. 38-41. During 2012, the Town's police department received 16,332 calls for service.

⁵⁹ County Response, pp. 7 and 8.

⁶⁰ "Weldon Cooper Public Highway Survey," and "Urban Municipal Mileage and Payments," Virginia Department of Transportation, Local Assistance Division, accessed December 26, 2013, <http://www.virginiadot.org/business/local-assistance-programs.asp>. Between FY2008 and FY2012, the Town reported \$9,255,457 in expenditures for the upkeep of its streets and highways, and, during the same period, \$7,711,049 in maintenance payments were received from the Commonwealth.

⁶¹ County Response, p. 3.

property is developed, as is currently anticipated, additional roadways will be constructed by the developer and subsequently added to the Town's street inventory. This will cause an increase in the state's street maintenance payments to the Town. Based on the Town's past efforts to fund its transportation needs beyond the Commonwealth's contribution, we believe that the Town should be able to absorb the impact of additional roadways added to its system through incremental development.

Street Construction. The property currently is crossed by a private roadway, known as Mary's Shady Lane, which provides access to Happy Creek Road for residents of Shenandoah River Estates, a residential development in the County to the north.⁶² The development of the proposed annexation area would require the abandonment and relocation of the road for these residents. During the rezoning process for this land, the concerns of residents in that neighborhood can be addressed.

Another issue relative to roadway construction in the area proposed for annexation is the proposed East-West Connector, which is needed to serve the property and improve access for neighboring areas, as the Norfolk Southern Railroad to the south hinders access.⁶³ The road's completion has been arranged through proffers on the adjacent tract owned by FRLP in the Town.⁶⁴ When the annexation is completed and the property is rezoned, the developer may be requested to proffer conditions to further ensure that this roadway is completed.

Curbs, Gutters, and Sidewalks. As previously mentioned, the Town currently requires the installation of curbs, gutters and sidewalks in new subdivisions. For existing developed areas without these amenities, the Town has a program whereby it will install curb, gutter and sidewalks under an agreement with adjoining property owners, including a requirement that those owners bear a per-foot or per-square foot assessment to contribute toward the cost.⁶⁵ While the proposed annexation area is currently vacant and unlikely to receive any publicly-funded improvements such as these, any development that occurs will be required to include these amenities, and the Town's policies regarding curb, gutter and sidewalks will benefit the area proposed for annexation.

Streetlights. The Town of Front Royal provides streetlighting, through its municipally-owned electric utility, at public expense when it is deemed that lighting is appropriate and necessary. At present, the Town estimates that it maintains and operates about 2,000 streetlights. The County does not have a policy requiring the installation of streetlights in new subdivisions, whereas the Town does, so as the property develops, these amenities will be installed.⁶⁶ In our judgment, the areas proposed for annexation will benefit from the application of the Town's policies and practices regarding the installation and operation of these facilities.

⁶² FRLP 2012 Submission, p. 44.

⁶³ Ibid.

⁶⁴ Front Royal Limited Partnership, Proffer Statement - RZ09-02-64, revised January 29, 2010, Section 11.

⁶⁵ Town Response, p. 46.

⁶⁶ Ibid., pp. 48 and 49; Town Comprehensive Plan, p. 60.; and County Response, p. 8.

Fire Protection. The entire county is served by the Warren County Department of Fire and Rescue Services, which provides fire and emergency services to the subject area through professional staff and volunteers. Based upon the fire suppression capabilities of the department, along with the specifications of the Town’s water system, properties located in the Town and County that have public water available are classified “5” by the Insurance Services Office (ISO) in terms of their exposure to fire loss. Areas that are not served by public water in either jurisdiction, which includes the area proposed for annexation have an ISO rating of “9”.⁶⁷ While the area proposed for annexation will not experience changes in fire protection due to the boundary change, water lines extensions to this property to serve development will likely cause the more desirable “5” rating to become applicable to this land.

Parks and Recreation. Pursuant to a 1999 voluntary settlement agreement between the Town and the County, Warren County assumed ownership of the Town’s parks facilities and now provides parks and recreation services for both Town and County residents.⁶⁸ When development of this property occurs in the future, the need for additional parks and recreation facilities could be evaluated in conjunction with rezoning requests.

Electricity. The Town is the provider of electricity to adjacent portions of the municipality.⁶⁹ The agreement provides that the County will endorse expansion of the Town’s service area to include the annexation area, a measure that appears to be under the purview of the State Corporation Commission.⁷⁰ Such expansion of the Town’s electric system to serve this property is consistent, as the Town provides electricity to the majority of its jurisdictional limits.

Summary of Service Needs

In the preceding sections of this report, the Commission has endeavored to examine the existing and prospective urban service needs of the area proposed for annexation and the ability of the Town of Front Royal to meet those needs. On the basis of the data cited above, the Commission finds that the area proposed for annexation will benefit from the extension of Town services and policies as well as the provisions of the agreement. Further, the Town is capable, in our judgment, of meeting the future needs of those areas as they develop.

Interests of the County of Warren

The proposed annexation action will not result in any reduction of revenues for Warren County, as it does not generate any revenue from personal property taxation or business taxes, and the real property revenues to the County will be unaffected.⁷¹ The property also creates a very low service burden to the County in its uninhabited state.

⁶⁷ Town Response, pp. 44 and 45.

⁶⁸ County Plan, p. 5-5; and Final Order Validating and Affirming Voluntary Settlement Agreement Between the Town of Front Royal and the County of Warren, Exhibit A, Section 5. This agreement is recorded in Warren County Law Order Book 67, page 242.

⁶⁹ Town Comprehensive Plan, p. 60.

⁷⁰ Original Draft VSA, Section 2.4; and Code of Virginia Sec. 56-265.3.

⁷¹ County Response, pp. 1 and 2.

While the annexation proposed in the agreement will not immediately increase revenues either, it can still have long-term benefits for the County. The annexation area is undeveloped and there will not be any primary or secondary revenue losses. If the Town rezones the property and it is developed, the County stands to benefit from residential and commercial activities. The County's current comprehensive plan does not anticipate dense development on this property.⁷²

To address the County's concerns regarding the impact of proposed development in the annexation area on the County's capital needs for schools, the agreement assures that Warren County will receive an average of \$12,500 per building permit, and that no more than 818 non-age restricted residential dwellings will create a service demand for school facilities. If the property is built to the maximum of 818 units, the County would receive a total of \$10,225,000 from the developer in the form of cash proffers as each unit is constructed.⁷³ If the amount does not meet the County's need for capital improvements related to the development, Warren County will need to fund the difference; however, cash proffers in Virginia are traditionally not intended to fully fund capital needs.

Lastly, it should be noted also that the developer of the property has agreed to reimburse the County in the event that the East-West Connector adversely impacts facilities owned by the County, most notably, Bing Crosby Stadium.⁷⁴

To summarize, the voluntary settlement agreement will have little impact to the County if it remains in agricultural use. As this property develops, the County will realize additional revenues through property taxes and cash proffers intended to offset the impact of development. Overall, we find that the terms of the proposed agreement are in the best interests of Warren County.

Interests of the Commonwealth

The Commission notes that the proposed Town of Front Royal – County of Warren agreement is the product of negotiations conducted under a State-established process that encourages the negotiated settlement of interlocal issues. By the establishment of this negotiation process, the State has expressed its desire for local governments to affect a resolution of their interlocal concerns within parameters established by law. This agreement, which constitutes a locally effected reconciliation of the needs and interests of the Town and County, is consistent with the interest of the Commonwealth in the promotion of negotiated settlements.

The principal interest of the State in the resolution of this and all interlocal issues subject to the Commission's review is the preservation and promotion of the viability of the affected local governments. As previous sections of this report have indicated, the provisions in the proposed settlement agreement will afford the Town of Front Royal with an opportunity to extend its boundaries and provide municipal services in an area with high-growth potential, while simultaneously protecting

⁷² County Plan, p. 4.32, and Map 4.2.

⁷³ Original Draft VSA, Section 3.4. The terms of this section provide for a smaller cash proffer of \$8,750 for the first 409 dwellings, and an increased proffer of \$16,250 for the last 409 units, which equals an average per-unit proffer of \$12,500. \$10,225,000 is the product of a maximum 818 non-age restricted dwelling units and the average \$12,500 per-unit proffer.

⁷⁴ Ibid., Section 3.4.5.

the County's interests. In sum, the Commission finds that the proposed agreement, negotiated by the governing bodies of the Town and County, is consistent with the interest of the Commonwealth in the promotion and preservation of the viability of Virginia's local governments.

PUBLIC FINANCE PROFILES

Town of Front Royal

The voluntary settlement agreement with the County will allow the Town to add land for future development and to ease transportation concerns. The financial impacts to the Town will be minimal upon annexation of the FRLP property; however, if the area is rezoned and developed, the Town will realize an unknown increase in tax revenues and an undetermined demand for public services. The challenge is to determine whether the Town will be able to meet the needs of the area if it is completely developed. Although there are a few items of concern, a review of the Town's finances indicates that it is healthy enough to serve the annexation area in the future.

Short-Term Financing. Two methods by which to analyze a locality's short-term financial health are the current ratio and the cash ratio. From FY2008 to FY2011, the Town's current ratio declined from 8.88 to 6.69. In FY2012, their current ratio rebounded to 6.91. The Town's cash ratio has decreased from 51.5% in FY2008 to 38.9% in FY2012.⁷⁵ While the numbers indicate that the Town's ability to meet short-term needs is decreasing, it is not a cause for concern.

The Town's unassigned fund balance has followed a similar trend as the short-term liquidity ratios. In FY2008, the unassigned fund balance represented 60.2% of general fund expenditures. By FY2012, that percentage had dropped to 48.5%.⁷⁶ While this change illustrates a decreasing ability for the general fund to handle adversity, it is not a cause for alarm.

A quick review of the general fund's operations since FY2008 would infer that it has operated at a deficit every year through FY2012. Administrative costs of the Town's enterprise funds are paid by the general fund. The enterprise fund repays the general fund for these costs with a cash transfer every year. After considering the annual transfer, the general fund has operated at a deficit in FY2008, FY2009, and FY2012 and at a surplus in FY2010 and FY2011.⁷⁷ The primary reason for the most recent deficit is the decrease in local source tax revenues. These problems should be remedied as the economy recovers from the recession.

After accounting for the annual transfer to the general fund, the Town's enterprise fund has operated at a surplus in FY2008, FY2009, and FY2012 and at a deficit in FY2010 and FY2011.⁷⁸ Electric sales made up

⁷⁵ Appendix C, Table 7. The current ratio is computed as current assets divided by current liabilities. The cash ratio is computed as cash and cash equivalents divided by current assets.

⁷⁶ *Ibid.*

⁷⁷ Town 2012 CAFR, p. 45; and Appendix C, Table 3. Add "Transfers In" to the "Excess (deficiency) of revenues over expenditures" line to determine the true impact of operations.

⁷⁸ Appendix C, Table 5. Add "Transfers in (out)" to the "Operating income (loss)" line to determine the true impact of operations.

64.7% of all enterprise revenues in FY2012, so it is the main driver of the Town's proprietary activities.⁷⁹ The Town's enterprise funds should remain relatively healthy.

Capital Structure. Total liabilities of the Town have decreased nominally over the previous five years. In FY2008, total liabilities totaled \$16.8 million. By FY2012, this figure had decreased to \$16.2 million, which is a decrease of 4.0% over the period.⁸⁰ Despite this decrease, the Town's debt-to-assets ratio has increased from 11.8% in FY2008 to 12.5% in FY2012. The change is mainly attributable to the depreciation of infrastructure owned by the Town. The ratio of long-term debt to assets has remained relatively stable over the same period. In FY2008, long-term debt comprised 9.4% of Town assets and that ratio slightly increased to 9.5% by FY2012.⁸¹ The Town has indicated that improvements to the wastewater treatment plant and water treatment plant will likely add \$42.5 million in new debt and a new police headquarters will cost another \$4 million.⁸² The Town should be able to accommodate new debt given the low levels that are presently on their books.

Net assets of the Town have decreased nominally and as a percentage of total assets over the previous five fiscal years. In FY2008, net assets totaled \$126.3 million and represented 88.2% of assets. By FY2012, net asset values decreased to \$113.5 million and 87.5% of total assets.⁸³ The primary cause for the nominal decrease is the depreciation of the Town's capital assets.

By the end of FY2012, capital assets of the Town were more than 50% depreciated.⁸⁴ This indicates that capital improvements other than those listed above could be on the horizon, which could lead to additional debt issuances.

Warren County

The provisions of the voluntary settlement agreement do not greatly impact the financial status of the County. The land proposed for annexation by the Town is vacant; therefore the County does not stand to lose any revenues. If the property is rezoned and developed, the County will receive cash proffers from the developer and tax revenues from the annexation area. The County will need to determine the impact on its school system and other public services if the property is developed.

In FY2010, the County began to bill its residents for property taxes on a semi-annual basis.⁸⁵ The resulting changes to their balance sheets make comparisons to previous years difficult.

Short-Term Financing. Analysis of the County's financial statements since FY2010 indicates an improving short-term financial situation. The County's current ratio has increased from 2.49 in FY2010 to 2.91 in FY2012. Additionally, the County's cash ratio has increased slightly from 59.7% in FY 2010 to

⁷⁹ Town 2012 CAFR, p. 27-28.

⁸⁰ Appendix C, Table 1.

⁸¹ Appendix C, Table 7.

⁸² Town Response, p. 10.

⁸³ Appendix C, Table 1.

⁸⁴ Town 2012 CAFR, p. 43.

⁸⁵ County of Warren, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2010, p. 3.

60.4% in FY 2012.⁸⁶ This data indicates that the County's ability to meet its short-term obligations is improving.

Warren County has a policy that states that the undesignated fund balance should be at least 15% of the operating budget by the end of the year.⁸⁷ In FY2010, the County's unrestricted net assets equaled 40.7% of total expenses. By FY2012, that percentage had dropped to 35.6%.⁸⁸ While this indicates that the County's ability to manage financial adversity is deteriorating, they are easily meeting their benchmark.

Warren County uses its general fund to support activities that are charged to other funds.⁸⁹ After accounting for transfer that reimburse for these expenses, the general fund experienced an operating surplus from FY2008 through FY2011. In FY2012, the general fund experienced a minor operating deficit of -\$98,031.⁹⁰ Fluctuations in the fund balance are mainly attributed to the general fund's support of its capital improvement fund. The declining trend of the fund balance is noteworthy; however an economic recovery should remedy the problem.

Capital Structure. Since FY2010, the County's long-term debt has decreased nominally and as a percentage of total assets. In FY2010, the County had \$121.0 million of long-term debt, which represented 55.0% of total assets. By FY2012, long-term debt had decreased to \$112.4 million, or 53.3% of the County's assets.⁹¹

Net assets of the County have increased every year since FY2010. In FY2010, total net assets of the County equaled \$72.1 million, or 32.8% of its assets. By FY2012, that figure increased to \$78.4 million, which accounted for 37.2% of the County's assets. Meanwhile, unrestricted net assets of the County have decreased nominally and as a percentage of net assets since FY2010. In FY2010, unrestricted net assets totaled \$43.3 million, or 19.7% of total assets. By FY2012, it dipped to \$38.1 million, or 18.1% of net assets.⁹²

FINDINGS AND RECOMMENDATIONS

In the preceding sections of this report, the Commission has reviewed a proposed voluntary settlement agreement negotiated by the Town of Front Royal and Warren County addressing the interests of the two jurisdictions. Based upon that review, we find that the agreement promotes the viability of both local governments and is consistent with the best interests of the Commonwealth. Accordingly, we recommend the court's approval of the agreement. While finding the agreement to be in the best

⁸⁶ Appendix D, Table 4. The cash ratio is computed as cash and cash equivalents divided by current assets. The current ratio is computed as current assets divided by current liabilities.

⁸⁷ County of Warren, Fiscal Year 2011-2012 Budget, p. 24.

⁸⁸ Appendix D, Table 4.

⁸⁹ County 2012 CAFR, p. 32.

⁹⁰ Appendix D, Table 3. Add "Transfers In" to the "Excess (deficiency) of revenues over expenditures" line to determine the true impact of operations.

⁹¹ Appendix D, Table 1.

⁹² Ibid.

interest of the two jurisdictions and the State, there are two related issues that we are obliged to address.

FRLP'S STANDING AS A PARTY TO THE AGREEMENT

The Commission on Local Government traditionally encourages the use of voluntary settlement agreements to settle annexation matters among localities. In this instance, the annexation proposal was initiated by Front Royal Limited Partnership, a private entity, and successfully negotiated a three-party agreement among itself and the two jurisdictions. Section 15.2-3400 of the Code of Virginia does not permit private parties to enter into a voluntary settlement agreement. This Commission reviewed this voluntary settlement agreement as submitted, and notified the parties of this issue. A revision to this agreement (the Revised Draft VSA) has been drafted to remove FRLP as a party, with no material effect to the agreement, although this version has not yet been adopted by resolution of the Town and County. The Commission has fully reviewed the text of both versions of the agreement, and we recommend that this revised version of the agreement, containing only the Town and County, be the version submitted to the Court.

TOWN'S COMPREHENSIVE PLAN

The Town has acknowledged that it is currently in the process of updating its comprehensive plan. Because of the size of the development proposed by FRLP, and its potential impacts to the Town, incorporation of this property into the plan update should be considered. This would provide an expectation of the intensity of future land uses beyond that suggested by the conceptual plan incorporated into the agreement, as well as assist FRLP and the Town plan for the infrastructure needed to support the development of the proposed annexation area.

CONCLUDING COMMENT

The Commission on Local Government acknowledges the considerable effort devoted by Front Royal Limited Partnership, and the officials of the Town of Front Royal and Warren County to negotiate the agreement before us. The agreement reflects a notable commitment by the leadership of both jurisdictions to address in a collaborative fashion the concerns of their localities and the needs of their residents. We commend the officials of the two jurisdictions for their public leadership and for the interlocal agreement which they have negotiated.

**VOLUNTARY SETTLEMENT AGREEMENT BETWEEN THE TOWN
OF FRONT ROYAL, VIRGINIA, WARREN COUNTY, VIRGINIA, AND
FRONT ROYAL LIMITED PARTNERSHIP**

THIS VOLUNTARY SETTLEMENT AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2013, and executed in triplicate originals (each executed copy constituting an original), by and between the TOWN OF FRONT ROYAL, VIRGINIA, a municipal corporation of the Commonwealth of Virginia (hereinafter the "Town"), the COUNTY OF WARREN, VIRGINIA, a political subdivision of the Commonwealth of Virginia (hereinafter the "County"), and FRONT ROYAL LIMITED PARTNERSHIP, a Virginia Limited Partnership (hereinafter "FRLP"). Together the Town, County, and FRLP are collectively identified as the "Parties."

RECITALS

R-1. WHEREAS, the Parties have reached this Agreement pursuant to Title 15.2, Chapter 34, of the Code of Virginia, (i) providing for the annexation of certain territory of the County into the Town, and (ii) providing for the development of the annexation areas in accordance with a jointly approved land use plan, and

R-2. WHEREAS, FRLP is the owner of a certain tract of land containing approximately 604 acres (hereinafter the "FRLP Property"), as the same is more thoroughly identified below, and

R-3. WHEREAS, the Town and the County, after due consideration, have determined and agree that the Town's boundaries should be adjusted and relocated as identified herein, and that certain other matters should be resolved between the Parties, and

R-4. WHEREAS, FRLP desires that the FRLP Property be annexed into the Town pursuant to these terms and conditions, and

R-5. WHEREAS, the Parties have determined that this Agreement is necessary to ensure the effective provision of public services to the area to be adjusted into the Town,

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained the receipt and sufficiency of which are conclusively agreed, the Parties agree as follows:

SECTION 1. DEFINITIONS

The Parties agree that the following words, terms, and abbreviations as used in this Agreement shall have the following defined meanings, unless the context clearly provides otherwise:

- 1.1. "Town" means the Town of Front Royal, Virginia.
- 1.2. "Town Council" means the Town Council of the Town of Front Royal, Virginia.
- 1.3. "County" means the County of Warren, Virginia.
- 1.4. "Board of Supervisors" means the Board of Supervisors of the County of Warren, Virginia.
- 1.5. "Code" means the Code of Virginia (1950), as amended. A reference to a specific Code provision shall mean that Code provision as it existed on the date of execution of this Agreement or any successor provision should the Code be amended after execution of this agreement.
- 1.6. "Commission" means the Virginia Commission on Local Government.

- 1.7. "Effective Date of the Annexation" shall be the first day of the second calendar month after entry of the Order by the Special Three-Judge Court appointed pursuant to Va. Code § 15.2-3400 to affirm, validate and give full force and effect to this Agreement.
- 1.8. "Future Land Use Plan" refers to the exhibit prepared by Bowman Consulting entitled "Future Land Use Plan of Annexation Area, Front Royal Limited Partnership Property," dated March 20, 2013, and attached as Exhibit A.
- 1.9. "Market Rate Dwellings" means all types of dwelling units not restricted to persons aged 55 years and older.
- 1.10. "Section" refers to the parts of this Agreement unless the context indicates that the reference is to sections of the Code.
- 1.11. "Special Court" means the Special Three-Judge Court appointed by the Supreme Court of Virginia pursuant to Title 15.2, Chapter 30, of the Code.
- 1.12. "Subsection" refers to the parts of this Agreement set out in the various "Sections."

SECTION 2. VOLUNTARY ANNEXATION OF PROPERTY BY THE TOWN

2.1. Annexation Agreement. The Town and the County agree to the annexation by the Town of certain territory consisting of the FRLP Property, more specifically described by metes and bounds on the attached Exhibit B. A survey showing the FRLP Property to be annexed shall be prepared (the "Survey"). The area so identified is referred to herein as the "Annexation Area," and is generally described as the area lying to the

northeast of the existing Town boundaries to the north of Happy Creek Road, to the west of State Route 606 (Shenandoah Shores Road), and to the south of Interstate 66. It comprises approximately 604 acres of land more or less.

2.2. Submission of the Survey. The Survey shall be submitted to and filed with the Commission and the Special Court appointed to affirm, validate, and give full force and effect to this Agreement.

2.3. Extension of Municipal Utility Services. Except as otherwise provided herein, the Town agrees that upon the Effective Date, the Town will permit the extension of its municipal utility services to the Annexation Area on the same basis and at the same level and rates as such services are now or hereafter provided to the areas within its current corporate limits where like conditions exist. The owner of property within the Annexation Area shall be responsible for the costs of extension of public utility services.

2.4. Electric Utility Service Endorsement. The County and FRLP will favorably endorse, at such reasonable times and in such reasonable manner as the Town may request, expansion of the Town's electric utility service to the Property upon its becoming part of the Town.

SECTION 3. LAND USE AND ZONING ARRANGEMENTS IN THE ANNEXATION AREA

3.1. Future Land Use. Pursuant to the provisions of Va. Code Ann. § 15.2-3400(2), the Parties agree that the orderly development of the Annexation Area is in the best interest of the Parties and to that end the Parties agree that the Future Land Use Plan (Exhibit A), which depicts the proposed land use for the Annexation Area, represents a reasonable and appropriate conceptual Plan for the future development of that Area subject to further consideration during the rezoning process.

3.2. Comprehensive Plan Amendment. The Town and the County agree that promptly upon validation of this Agreement by order of the Special Court, each will use its best good faith efforts to amend its Comprehensive Plan to incorporate the Future Land Use Plan therein. Nothing herein shall prohibit the Town and County from repealing, modifying, or amending the Future Land Use Plan, with the mutual consent of both parties, and in accordance with law.

3.3. Transitional Zoning Classification of the Annexation Area. As of the Effective Date the Property within the Annexation Area shall be classified "Agriculture and Open Space Preservation District A-1" pursuant to the Town's Zoning Ordinance. This District shall apply to the Annexation Area pending the orderly amendment of the Town's Zoning Ordinance and Zoning Map as set forth herein.

3.4. Future Zoning Actions with Respect to the Annexation Area. Application to rezone all or a portion of the Annexation Area may be made at any time in accordance with law, provided that the Town will not approve a rezoning of all or a portion of the Property that would result in the construction of more than 818 Market Rate Dwelling units on the Property, for the duration of this Agreement. Single-family detached Market Rate Dwellings shall comprise not less than 1,600 square feet of habitable space.

3.4.1. The Town further agrees that no rezoning application that may be filed with respect to the Annexation Area shall be approved, except as further provided below, unless the Applicant agrees to contribute to the County \$12,500 for each Market Rate Dwelling unit for which a building permit is issued. Each such payment shall be made to the County prior to issuance of a certificate of occupancy for such units. Such

contributions shall be set forth in a conditional zoning proffer statement submitted in connection with any rezoning.

3.4.2. The aforesaid cash payments to the County shall be adjusted annually in accordance with the Urban Consumer Price Index ("CPI-U"), as published by the United States Department of Labor, published most nearly to, and following January 1st annually, subject to a cap of 2% per year, non-compounded, said adjustments to begin on the second anniversary of the Effective Date.

3.4.3. In order to offset the substantial initial infrastructure costs that must be incurred in connection with the development of the Annexation Area, it shall constitute compliance with the foregoing requirement for payments to the County if, in connection with any such rezoning, the Applicant proffers that the first 50% of all approved Market Rate Dwelling units shall contribute 70% of the aforesaid per unit contribution, and the remaining 50% of the Market Rate Dwelling units shall contribute 130% of the aforesaid per unit contribution, as the amount of those contributions may be adjusted in accordance with section 3.4.2. This provision shall not relate to or affect any proffered payments to the Town that may be agreed to in connection with a rezoning of all or a portion of the Property.

3.4.4. In addition to the foregoing, the Applicant in any such rezoning shall receive a credit against the foregoing monetary contributions to the County in the dollar value of any proffered and accepted dedications to the County of real property for public use. At the time of any such dedication the Applicant and the County shall each select a real estate appraiser licensed and in good standing in the Commonwealth of Virginia, who shall select a third such real estate appraiser, and together those appraisers

shall establish a value for the real property so dedicated. Such determination shall be final.

3.4.5. In connection with any development of the Annexation Property, the Town and the County agree that if the finally approved alignment of the East/West Connector requires the dedication of publicly-owned right-of-way in the vicinity of Bing Crosby Stadium, the County and the Town shall use their best good faith efforts to dedicate such right-of-way, at no cost to either jurisdiction, in a timely manner so as to permit the construction of that Connector. In the event that any such dedication adversely affects existing uses on such publicly-owned properties, FRLP shall reimburse the affected jurisdiction in connection with and as a proffer made in any rezoning application as provided for herein, for costs that the jurisdiction may be required to incur as a consequence of that dedication.

3.4.6. Upon the submission of all materials required for a rezoning Application, the Town agrees that it shall use its best good faith efforts to reclassify the property included in the rezoning application within twelve months of the receipt thereof, subject to applicable requirements of the State Code and local ordinances regarding the rezoning of property.

3.4.7. For the purposes of this Agreement, a complete rezoning application shall be an application that contains the submission materials required by the provisions of the Front Royal Town Code and the Code of Virginia, in form and substance acceptable to the Town's Director of Planning. In the event that the Director determines that an Application is incomplete, he shall advise the applicant in writing of deficiencies noted within 10 business days of receipt thereof, and shall advise the

applicant therein what information or other materials are required in order to complete the Application. The Director's acceptance of any such Application for processing shall not be unreasonably withheld.

SECTION 4. COMMISSION AND SPECIAL COURT APPROVAL

4.1. Commission on Local Government Review. The Town and the County agree to initiate promptly the steps necessary and required by Title 15.2, Chapter 34 of the Code to obtain review of this Agreement by the Commission.

4.2. Special Court Approval. Following the issuance of the report of findings and recommendations by the Commission, the Town and the County agree that they will take all steps necessary and will submit this Agreement in its approved form to a Special Court for affirmation and validation and to give it full force and effect, as required by Title 15.2, Chapter 34 of the Code.

4.3. Termination for Failure to Affirm and Validate and Give Full Force and Effect to This Agreement. The Parties agree that if this Agreement is not affirmed, validated, and given full force and effect by the Special Court without modification, this Agreement shall immediately terminate. However, the Parties may waive termination by mutually agreeing to any modifications recommended by the Special Court.

SECTION 5. AUTHORIZATION FOR THE EXECUTION OF THIS AGREEMENT.

5.1. The Town has authorized the execution and implementation of this Agreement by resolution of the Town Council, a copy of which is attached hereto as Exhibit D.

5.2. The County has authorized the execution and implementation of this Agreement by resolution of its Board, a copy of which is attached hereto as Exhibit E.

SECTION 6. FURTHER REQUIREMENTS.

6.1. Each Party agrees to perform such other and further actions as may be necessary to effectuate this Agreement and the terms and conditions hereof. Each Party further agrees that it shall expeditiously perform those duties and obligations that may be imposed on it by the terms of this Agreement, including, but not limited to, the preparation and submission of necessary materials required for application to the Commission on Local Government, the Special Court, and for approval by the United States Department of Justice.

6.2. The Town agrees to support any applications by FRLP for public funding from sources other than the Town to the extent that it does not interfere with the Town's establishment of legislative priorities, for construction of the East-West Connector road.

SECTION 7. DURATION OF AGREEMENT.

7.1. This Agreement shall remain in effect until the later of a period of twenty-five (25) years from the Effective Date, or, with respect to the Land Use and Zoning Arrangements referenced herein, the development of the Property is complete. For the purposes of this Agreement, development of the Property shall be deemed complete upon the issuance of a building permit for the last Market Rate Unit authorized to be constructed on the Property.

SECTION 8. MISCELLANEOUS PROVISIONS

8.1. Binding Effect. This Agreement contains the final and entire agreement between the Parties with respect to the matters addressed herein, and is intended to be an integration of all prior understandings with respect thereto. It shall be binding upon and

inure to the benefit of FRLP, the Town, and the County, future governing bodies of the Town and the County, and upon the heirs, successors, or assigns to or of any Party.

8.2. Amendments. This Agreement may be amended, modified, or supplemented in whole or in part, by mutual agreement of the Parties, by a written document of equal formality and dignity, duly executed by the authorized representatives of the Parties as may be permitted by law.

8.3. Enforceability. This Agreement shall be enforceable only by the Special Court or by a successor Special Court appointed to pursuant to Title 15.2, Chapter 30 of the Code, pursuant to a declaratory judgment action initiated by any of the Parties to secure the performance of any provisions, covenants, conditions and terms contained in this Agreement or the Order affirming, validating, and giving full force and effect to this Agreement.

8.4. Alternative dispute resolution. The parties to this agreement may, upon mutual written concurrence, submit any dispute arising hereunder to a mediator to facilitate the settlement of the dispute if otherwise permitted by law.

8.5. Standing. The Parties agree that each has standing to enforce any of the provisions, covenants, conditions, and terms of this Agreement.

8.6. Exhibits. All exhibits referenced herein are incorporated into this Agreement by reference thereto.

IN CONSIDERATION of the foregoing, the authorized representatives of FRLP, the Town, and the County have executed this Agreement in triplicate as of the date and year first herein written.

{SIGNATURES APPEAR ON FOLLOWING PAGES}

TOWN OF FRONT ROYAL, VIRGINIA

J. W. O.
Mayor

Date: 9-9-13

WARREN COUNTY, VIRGINIA



Chairman of the Board of Supervisors

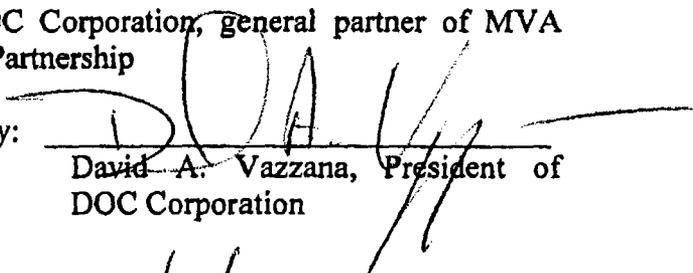
Date: Sept. 6, 2013

**FRONT ROYAL LIMITED PARTNERSHIP,
a Virginia limited Partnership**

**By: MVA Limited Partnership, general partner of
Front Royal Limited Partnership**

**By: DOC Corporation, general partner of MVA
Limited Partnership**

By: _____


David A. Vazzana, President of
DOC Corporation

Date: _____

9/6/13

LEGEND

- Natural resources & recreation
- Active adult residential
- Residential
- Core village retail & office
- Community open space & school



**EXHIBIT A
FUTURE LAND USE PLAN OF
ANNEXATION AREA
FRONT ROYAL LIMITED PARTNERSHIP PROPERTY**

WARREN COUNTY, VIRGINIA
Scale: 1"=250'
Date: 3-20-2013 (REVISED 7-29-2013)



EXHIBIT B - METES AND BOUNDS

Bowman

CONSULTING

METES AND BOUNDS DESCRIPTION
OF THE VAZZANA PROPERTY
WARREN COUNTY, VIRGINIA

COMMENCING AT A POINT, SAID POINT BEING THE SOUTHEASTERLY CORNER OF THE PROPERTY OF DONATTENNE LEROLLE AS RECORDED BY INSTRUMENT 9505098, AMONG THE LAND RECORDS OF WARREN COUNTY, VIRGINIA AND LYING ON THE NORTHERLY PROPERTY LINE OF THE NORFOLK SOUTHERN RAILROAD CORPORATION. THENCE, DEPARTING THE SAID NORFOLK SOUTHERN RAILROAD CORPORATION AND CONTINUING WITH THE LINE OF SAID LEROLLE THE FOLLOWING TWO (2) COURSES AND DISTANCES,

N 09° 51' 22" W, 1,116.97 FEET TO A POINT, THENCE

N 05° 35' 37" E, 786.04 FEET TO THE TRUE POINT OF BEGINNING, SAID POINT BEING THE NORTHEASTERLY CORNER OF SAID LEROLLE AND LYING ON THE TOWN OF FRONT ROYAL-WARREN COUNTY LINE. THENCE CONTINUING WITH THE LINE OF SAID LEROLLE AND WITH THE SAID TOWN OF FRONT ROYAL-WARREN COUNTY LINE, THE FOLLOWING TWO (2) COURSES AND DISTANCES,

N 82° 33' 00" W, 1,056.53 FEET TO A POINT, THENCE

N 82° 33' 01" W, 325.63 FEET TO A POINT, SAID POINT BEING THE NORTHWESTERLY CORNER OF SAID LEROLLE AND THE NORTHEASTERLY CORNER OF THE PROPERTY OF THE TOWN OF FRONT ROYAL AS RECORDED IN DEED BOOK 264 AT PAGE 463 AMONG THE LAND RECORDS OF SAID COUNTY AND LYING ON THE TOWN OF FRONT ROYAL-WARREN COUNTY LINE. THENCE, DEPARTING SAID LEROLLE AND CONTINUING WITH THE LINE OF SAID TOWN OF FRONT ROYAL AND THE SAID TOWN OF FRONT ROYAL-WARREN COUNTY LINE AND WITH ANOTHER PROPERTY OF THE TOWN OF FRONT ROYAL AS RECORDED IN DEED BOOK 208 AT PAGE 92 AMONG THE LAND RECORDS OF SAID COUNTY THE FOLLOWING FOUR (4) COURSES AND DISTANCES,

N 82° 17' 46" W, 1,856.60 FEET TO A POINT, THENCE

N 03° 40' 17" E, 787.77 FEET TO A POINT, THENCE

N 06° 23' 49" W, 340.16 FEET TO A POINT, THENCE

N 76° 26' 41" W, 961.48 FEET TO A POINT IN THE LINE OF SAID TOWN OF FRONT ROYAL-WARREN COUNTY LINE; THENCE WITH THE SAID TOWN OF FRONT ROYAL-WARREN COUNTY LINE ON THE FOLLOWING SEVEN (7) COURSES AND DISTANCES:

N 44° 23' 12" E, 337.49 FEET TO A POINT, THENCE

N 07° 37' 06" E, 295.25 FEET TO A POINT, THENCE

N 17° 47' 40" W, 315.57 FEET TO A POINT, THENCE

N 44° 07' 59" W, 176.83 FEET TO A POINT, THENCE

N 55° 20' 31" W, 303.98 FEET TO A POINT, THENCE

N 39° 59' 25" W, 259.37 FEET TO A POINT, THENCE

N 15° 45' 20" W, 31.65 FEET TO A POINT IN THE SOUTHERLY LINE OF RIVERTON LIME AND STONE CO. INC. AS RECORDED IN DEED BOOK 21 AT PAGE 322, IN DEED BOOK 80 AT PAGE 96 AND IN DEED BOOK 80 AT PAGE 302, AMONG THE SAID LAND RECORDS OF SAID COUNTY; THENCE WITH THE SAID LINE OF RIVERTON LIME AND STONE CO. INC. ON THE FOLLOWING NINE (9) COURSES AND DISTANCES:

N 87° 12' 37" W, 33.73 FEET TO A POINT, THENCE

N 77° 15' 12" E, 360.21 FEET TO A POINT, THENCE

S 77° 24' 44" E, 206.52 FEET TO A POINT, THENCE

N 58° 44' 03" E, 254.81 FEET TO A POINT, THENCE

N 59° 40' 30" E, 772.70 FEET TO A POINT, THENCE

EXHIBIT B - METES AND BOUNDS

N 05° 42' 46" E, 1,203.33 FEET TO A POINT, THENCE
N 58° 20' 59" W, 149.25 FEET TO A POINT, THENCE
N 16° 20' 22" E, 1,114.39 FEET TO A POINT, THENCE
N 20° 39' 43" E, 464.52 FEET TO A POINT, SAID POINT BEING THE
SOUTHWESTERLY CORNER OF MARGARET E. MILLS AS RECORDED IN DEED BOOK 469 AT
PAGE 710 AMONG THE LAND RECORDS OF SAID COUNTY. THENCE, DEPARTING SAID
RIVERTON LIME AND STONE AND CONTINUING WITH SAID MILLS THE FOLLOWING FIVE (5)
COURSES AND DISTANCES.

S 79° 24' 54" E, 1,216.46 FEET TO A POINT, THENCE
N 01° 02' 16" E, 9.02 FEET TO A POINT, THENCE
S 81° 57' 34" E, 209.25 FEET TO A POINT, THENCE
N 54° 57' 04" E, 58.13 FEET TO A POINT, THENCE
N 82° 29' 39" E, 174.94 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY
LINE OF INTERSTATE HIGHWAY 66. THENCE, DEPARTING SAID MILLS AND CONTINUING
WITH THE RIGHT-OF-WAY OF SAID INTERSTATE HIGHWAY 66,

S 75° 35' 40" E, 99.81 FEET TO A POINT; SAID POINT BEING THE
NORTHWESTERLY CORNER OF LOT 1 OF THE ELENORA B. FELYNER SUBDIVISION, AS
RECORDED IN DEED BOOK 295 AT PAGE 335 AMONG THE LAND RECORDS OF SAID COUNTY.
THENCE, DEPARTING THE RIGHT-OF-WAY OF SAID INTERSTATE HIGHWAY 66 AND
CONTINUING WITH SAID LOT 1 OF ELENORA B. FELYNER SUBDIVISION AND WITH LOT 2
OF SAID ELENORA B. FELYNER SUBDIVISION AND WITH LOTS 1 THROUGH 3 AND PARCEL
A, OF THE CHARLES B. WOOD ET UX SUBDIVISION, AS RECORDED IN DEED BOOK 276 AT
PAGE 145, AMONG THE LAND RECORDS OF SAID COUNTY THE FOLLOWING FIVE (5)
COURSES AND DISTANCES,

S 15° 27' 12" W, 100.32 FEET TO A POINT, THENCE
S 15° 42' 35" W, 654.06 FEET TO A POINT, THENCE
S 11° 23' 54" E, 136.83 FEET TO A POINT, THENCE
S 76° 25' 02" E, 607.66 FEET TO A POINT, THENCE
S 79° 40' 52" E, 1,248.42 FEET TO A POINT, SAID POINT BEING A CORNER OF
RUTH P. MONNINGTON AS RECORDED BY INSTRUMENT Q30002741 AMONG THE LAND RECORDS
OF SAID COUNTY. THENCE, DEPARTING SAID LOT 3 OF THE CHARLES B. WOOD ET UX AND
CONTINUING WITH THE LINE OF SAID MONNINGTON,

S 05° 39' 37" E, 170.86 FEET TO A POINT LYING ON THE CENTERLINE OF A
12.5 GRAVEL ROAD AS RECORDED IN DEED BOOK 180 AT PAGE 87 AMONG THE LAND
RECORDS OF SAID COUNTY, ALSO KNOWN OF RECORD AS MARY'S SHADY LANE. THENCE,
CONTINUING WITH THE LINE OF SAID MONNINGTON AND THE CENTERLINE OF SAID 12.5
FOOT GRAVEL ROAD,

81.08 FEET ALONG THE ARC OF A NON TANGENT CURVE DEFLECTING TO THE LEFT,
SAID CURVE HAVING A RADIUS OF 108.99 FEET, A CENTRAL ANGLE OF 42° 37' 16",
AND A CHORD BEARING AND DISTANCE OF S 22° 36' 11" W, 79.22 FEET TO A POINT OF
TANGENCY, THENCE

S 01° 17' 33" W, 342.38 FEET TO A POINT, SAID POINT BEING THE
SOUTHWESTERLY CORNER OF SAID MONNINGTON, LYING ON SAID CENTERLINE OF A 12.5
FOOT GRAVEL ROAD AND BEING THE CENTERLINE OF THE TERMINUS OF A 60 FOOT RIGHT-
OF-WAY AS RECORDED IN DEED BOOK 396 AT PAGE 596, ALSO KNOWN OF RECORD AS
MARY'S SHADY LANE. THENCE, DEPARTING THE CENTERLINE OF SAID 12.5 FOOT GRAVEL
ROAD AND CONTINUING WITH THE LINE OF SAID MONNINGTON AND ALSO WITH THE LINE
OF KEVIN J. MURPHY AS RECORDED BY INSTRUMENT: 960006620 AMONG THE LAND
RECORDS OF SAID COUNTY,

S 83° 04' 45" E, 294.77 FEET TO A POINT, THENCE
S 82° 13' 43" E, 1,617.35 FEET TO A POINT, SAID POINT BEING THE
SOUTHEASTERLY CORNER OF SAID MURPHY AND A CORNER OF HOWARD DUNCAN AND THE
WALTER DUNCAN AND MARY Z. DUNCAN LIVING TRUST AS RECORDED IN WILL BOOK N AT
PAGE 204 AND BY INSTRUMENT: 970004187 AMONG THE LAND RECORDS OF SAID COUNTY.
THENCE, DEPARTING SAID MURPHY AND CONTINUING WITH THE LINE OF SAID DUNCAN,

S 16° 05' 46" W, 1,116.69 FEET TO A POINT ON THE LINE OF THE INDUSTRIAL
DEVELOPMENT AUTHORITY OF THE TOWN OF FRONT ROYAL AND COUNTY OF WARREN,

EXHIBIT B - METES AND BOUNDS

VIRGINIA AS RECORDED IN DEED BOOK 471 AT PAGE 748 AND BY INSTRUMENT: 010002379 AMONG THE LAND RECORDS OF SAID COUNTY. THENCE, CONTINUING WITH SAID DUNCAN AND WITH THE SAME LINE EXTENDED, WITH THE LINE OF SAID INDUSTRIAL DEVELOPMENT AUTHORITY,

S 83° 54' 46" W, 875.41 FEET TO A POINT. THENCE, CONTINUING WITH SAID INDUSTRIAL AUTHORITY THE FOLLOWING TWO (2) COURSES AND DISTANCES,

S 06° 03' 49" W, 1,093.67 FEET TO A POINT, THENCE

S 80° 14' 27" E, 316.64 FEET TO A POINT IN THE LINE OF SAID TOWN OF FRONT ROYAL - WARREN COUNTY LINE; THENCE WITH THE SAID TOWN OF FRONT ROYAL - WARREN COUNTY LINE

S 41° 50' 37" W, 2,537.13 FEET TO THE POINT OF BEGINNING CONTAINING 26,343,391 SQUARE FEET OR 604.76104 ACRES OF LAND, MORE OR LESS.

EXHIBIT I-1: METES AND BOUNDS OF AREA PROPOSED FOR ANNEXATION

**VOLUNTARY SETTLEMENT AGREEMENT BETWEEN THE TOWN
OF FRONT ROYAL, VIRGINIA, AND WARREN COUNTY, VIRGINIA,**

THIS VOLUNTARY SETTLEMENT AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2013, and executed in triplicate originals (each executed copy constituting an original), by and between the TOWN OF FRONT ROYAL, VIRGINIA, a municipal corporation of the Commonwealth of Virginia (hereinafter the "Town"), the COUNTY OF WARREN, VIRGINIA, a political subdivision of the Commonwealth of Virginia (hereinafter the "County"). Together the Town and County are collectively identified as the "Parties."

RECITALS

R-1. WHEREAS, the Parties have reached this Agreement pursuant to Title 15.2, Chapter 34, of the Code of Virginia, (i) providing for the annexation of certain territory of the County into the Town, and (ii) providing for the development of the annexation areas in accordance with a jointly approved land use plan, and

R-2. WHEREAS, FRLP is the owner of a certain tract of land containing approximately 604 acres (hereinafter the "FRLP Property"), as the same is more thoroughly identified below, and

R-3. WHEREAS, the Town and the County, after due consideration, have determined and agree that the Town's boundaries should be adjusted and relocated as identified herein, and that certain other matters should be resolved between the Parties, and

R-4. WHEREAS, FRLP desires that the FRLP Property be annexed into the Town pursuant to these terms and conditions, and

R-5. WHEREAS, the Parties have determined that this Agreement is necessary to ensure the effective provision of public services to the area to be adjusted into the Town,

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained the receipt and sufficiency of which are conclusively agreed, the Parties agree as follows:

SECTION 1. DEFINITIONS

The Parties agree that the following words, terms, and abbreviations as used in this Agreement shall have the following defined meanings, unless the context clearly provides otherwise:

- 1.1. "Town" means the Town of Front Royal, Virginia.
- 1.2. "Town Council" means the Town Council of the Town of Front Royal, Virginia.
- 1.3. "County" means the County of Warren, Virginia.
- 1.4. "Board of Supervisors" means the Board of Supervisors of the County of Warren, Virginia.
- 1.5. "Code" means the Code of Virginia (1950), as amended. A reference to a specific Code provision shall mean that Code provision as it existed on the date of execution of this Agreement or any successor provision should the Code be amended after execution of this agreement.
- 1.6. "Commission" means the Virginia Commission on Local Government.
- 1.7. "Effective Date of the Annexation" shall be the first day of the second calendar month after entry of the Order by the Special Three-Judge

Court appointed pursuant to Va. Code § 15.2-3400 to affirm, validate and give full force and effect to this Agreement.

- 1.8. “Future Land Use Plan” refers to the exhibit prepared by Bowman Consulting entitled "Future Land Use Plan of Annexation Area, Front Royal Limited Partnership Property," dated March 20, 2013, and attached as Exhibit A.
- 1.9. “Market Rate Dwellings” means all types of dwelling units not restricted to persons aged 55 years and older.
- 1.10. “Section” refers to the parts of this Agreement unless the context indicates that the reference is to sections of the Code.
- 1.11. “Special Court” means the Special Three-Judge Court appointed by the Supreme Court of Virginia pursuant to Title 15.2, Chapter 30, of the Code.
- 1.12. “Subsection” refers to the parts of this Agreement set out in the various “Sections.”

SECTION 2. VOLUNTARY ANNEXATION OF PROPERTY BY THE TOWN

2.1. Annexation Agreement. The Town and the County agree to the annexation by the Town of certain territory consisting of the FRLP Property, more specifically described by metes and bounds on the attached Exhibit B. A survey showing the FRLP Property to be annexed shall be prepared (the “Survey”). The area so identified is referred to herein as the "Annexation Area," and is generally described as the area lying to the northeast of the existing Town boundaries to the north of Happy Creek Road, to the west

of State Route 606 (Shenandoah Shores Road), and to the south of Interstate 66. It comprises approximately 604 acres of land more or less.

2.2. Submission of the Survey. The Survey shall be submitted to and filed with the Commission and the Special Court appointed to affirm, validate, and give full force and effect to this Agreement.

2.3. Extension of Municipal Utility Services. Except as otherwise provided herein, the Town agrees that upon the Effective Date, the Town will permit the extension of its municipal utility services to the Annexation Area on the same basis and at the same level and rates as such services are now or hereafter provided to the areas within its current corporate limits where like conditions exist. The owner of property within the Annexation Area shall be responsible for the costs of extension of public utility services.

2.4. Electric Utility Service Endorsement. The County and FRLP will favorably endorse, at such reasonable times and in such reasonable manner as the Town may request, expansion of the Town's electric utility service to the Property upon its becoming part of the Town.

SECTION 3. LAND USE AND ZONING ARRANGEMENTS IN THE ANNEXATION AREA

3.1. Future Land Use. Pursuant to the provisions of Va. Code Ann. § 15.2-3400(2), the Parties agree that the orderly development of the Annexation Area is in the best interest of the Parties and to that end the Parties agree that the Future Land Use Plan (Exhibit A), which depicts the proposed land use for the Annexation Area, represents a reasonable and appropriate conceptual Plan for the future development of that Area subject to further consideration during the rezoning process.

3.2. Comprehensive Plan Amendment. The Town and the County agree that promptly upon validation of this Agreement by order of the Special Court, each will use its best good faith efforts to amend its Comprehensive Plan to incorporate the Future Land Use Plan therein. Nothing herein shall prohibit the Town and County from repealing, modifying, or amending the Future Land Use Plan, with the mutual consent of both parties, and in accordance with law.

3.3. Transitional Zoning Classification of the Annexation Area. As of the Effective Date the Property within the Annexation Area shall be classified "Agriculture and Open Space Preservation District A-1" pursuant to the Town's Zoning Ordinance. This District shall apply to the Annexation Area pending the orderly amendment of the Town's Zoning Ordinance and Zoning Map as set forth herein.

3.4. Future Zoning Actions with Respect to the Annexation Area. Application to rezone all or a portion of the Annexation Area may be made at any time in accordance with law, provided that the Town will not approve a rezoning of all or a portion of the Property that would result in the construction of more than 818 Market Rate Dwelling units on the Property, for the duration of this Agreement. Single-family detached Market Rate Dwellings shall comprise not less than 1,600 square feet of habitable space.

3.4.1. The Town further agrees that no rezoning application that may be filed with respect to the Annexation Area shall be approved, except as further provided below, unless the Applicant agrees to contribute to the County \$12,500 for each Market Rate Dwelling unit for which a building permit is issued. Each such payment shall be made to the County prior to issuance of a certificate of occupancy for such units. Such

contributions shall be set forth in a conditional zoning proffer statement submitted in connection with any rezoning.

3.4.2. The aforesaid cash payments to the County shall be adjusted annually in accordance with the Urban Consumer Price Index (“CPI-U”), as published by the United States Department of Labor, published most nearly to, and following January 1st annually, subject to a cap of 2% per year, non-compounded, said adjustments to begin on the second anniversary of the Effective Date.

3.4.3. In order to offset the substantial initial infrastructure costs that must be incurred in connection with the development of the Annexation Area, it shall constitute compliance with the foregoing requirement for payments to the County if, in connection with any such rezoning, the Applicant proffers that the first 50% of all approved Market Rate Dwelling units shall contribute 70% of the aforesaid per unit contribution, and the remaining 50% of the Market Rate Dwelling units shall contribute 130% of the aforesaid per unit contribution, as the amount of those contributions may be adjusted in accordance with section 3.4.2. This provision shall not relate to or affect any proffered payments to the Town that may be agreed to in connection with a rezoning of all or a portion of the Property.

3.4.4. In addition to the foregoing, the Applicant in any such rezoning shall receive a credit against the foregoing monetary contributions to the County in the dollar value of any proffered and accepted dedications to the County of real property for public use. At the time of any such dedication the Applicant and the County shall each select a real estate appraiser licensed and in good standing in the Commonwealth of Virginia, who shall select a third such real estate appraiser, and together those appraisers

shall establish a value for the real property so dedicated. Such determination shall be final.

3.4.5. In connection with any development of the Annexation Property, the Town and the County agree that if the finally approved alignment of the East/West Connector requires the dedication of publicly-owned right-of-way in the vicinity of Bing Crosby Stadium, the County and the Town shall use their best good faith efforts to dedicate such right-of-way, at no cost to either jurisdiction, in a timely manner so as to permit the construction of that Connector. The Town agrees that it will not approve any rezoning of FRLP's property after the annexation, unless the rezoning application provides a voluntarily proffered condition that in the event that any such dedication adversely affects existing uses on such publicly-owned properties, FRLP shall reimburse the affected jurisdiction in connection with and as a proffer made in any rezoning application as provided for herein, for costs that the jurisdiction may be required to incur as a consequence of that dedication.

3.4.6. Upon the submission of all materials required for a rezoning Application, the Town agrees that it shall use its best good faith efforts to reclassify the property included in the rezoning application within twelve months of the receipt thereof, subject to applicable requirements of the State Code and local ordinances regarding the rezoning of property.

3.4.7. For the purposes of this Agreement, a complete rezoning application shall be an application that contains the submission materials required by the provisions of the Front Royal Town Code and the Code of Virginia, in form and substance acceptable to the Town's Director of Planning. In the event that the Director

determines that an Application is incomplete, he shall advise the applicant in writing of deficiencies noted within 10 business days of receipt thereof, and shall advise the applicant therein what information or other materials are required in order to complete the Application. The Director's acceptance of any such Application for processing shall not be unreasonably withheld.

SECTION 4. COMMISSION AND SPECIAL COURT APPROVAL

4.1. Commission on Local Government Review. The Town and the County agree to initiate promptly the steps necessary and required by Title 15.2, Chapter 34 of the Code to obtain review of this Agreement by the Commission.

4.2. Special Court Approval. Following the issuance of the report of findings and recommendations by the Commission, the Town and the County agree that they will take all steps necessary and will submit this Agreement in its approved form to a Special Court for affirmation and validation and to give it full force and effect, as required by Title 15.2, Chapter 34 of the Code.

4.3. Termination for Failure to Affirm and Validate and Give Full Force and Effect to This Agreement. The Parties agree that if this Agreement is not affirmed, validated, and given full force and effect by the Special Court without modification, this Agreement shall immediately terminate. However, the Parties may waive termination by mutually agreeing to any modifications recommended by the Special Court.

SECTION 5. AUTHORIZATION FOR THE EXECUTION OF THIS AGREEMENT.

5.1. The Town has authorized the execution and implementation of this Agreement by resolution of the Town Council, a copy of which is attached hereto as Exhibit D.

5.2. The County has authorized the execution and implementation of this Agreement by resolution of its Board, a copy of which is attached hereto as Exhibit E.

SECTION 6. FURTHER REQUIREMENTS.

6.1. Each Party agrees to perform such other and further actions as may be necessary to effectuate this Agreement and the terms and conditions hereof. Each Party further agrees that it shall expeditiously perform those duties and obligations that may be imposed on it by the terms of this Agreement, including, but not limited to, the preparation and submission of necessary materials required for application to the Commission on Local Government, the Special Court, and for approval by the United States Department of Justice.

6.2. The Town agrees to support any applications by FRLP for public funding from sources other than the Town to the extent that it does not interfere with the Town's establishment of legislative priorities, for construction of the East-West Connector road.

SECTION 7. DURATION OF AGREEMENT.

7.1. This Agreement shall remain in effect until the later of a period of twenty-five (25) years from the Effective Date, or, with respect to the Land Use and Zoning Arrangements referenced herein, the development of the Property is complete. For the purposes of this Agreement, development of the Property shall be deemed complete upon the issuance of a building permit for the last Market Rate Unit authorized to be constructed on the Property.

SECTION 8. MISCELLANEOUS PROVISIONS

8.1. Binding Effect. This Agreement contains the final and entire agreement between the Parties with respect to the matters addressed herein, and is intended to be an

integration of all prior understandings with respect thereto. It shall be binding upon and inure to the benefit of FRLP, the Town, and the County, future governing bodies of the Town and the County, and upon the heirs, successors, or assigns to or of any Party.

8.2. Amendments. This Agreement may be amended, modified, or supplemented in whole or in part, by mutual agreement of the Parties, by a written document of equal formality and dignity, duly executed by the authorized representatives of the Parties as may be permitted by law.

8.3. Enforceability. This Agreement shall be enforceable only by the Special Court or by a successor Special Court appointed to pursuant to Title 15.2, Chapter 30 of the Code, pursuant to a declaratory judgment action initiated by any of the Parties to secure the performance of any provisions, covenants, conditions and terms contained in this Agreement or the Order affirming, validating, and giving full force and effect to this Agreement.

8.4. Alternative dispute resolution. The parties to this agreement may, upon mutual written concurrence, submit any dispute arising hereunder to a mediator to facilitate the settlement of the dispute if otherwise permitted by law.

8.5. Standing. The Parties agree that each has standing to enforce any of the provisions, covenants, conditions, and terms of this Agreement.

8.6. Exhibits. All exhibits referenced herein are incorporated into this Agreement by reference thereto.

IN CONSIDERATION of the foregoing, the authorized representatives of the Town and the County have executed this Agreement in triplicate as of the date and year first herein written.

{SIGNATURES APPEAR ON FOLLOWING PAGES}

TOWN OF FRONT ROYAL, VIRGINIA

Mayor

Date: _____

WARREN COUNTY, VIRGINIA

Chairman of the Board of Supervisors

Date: _____

Table 1

Town of Front Royal

Government-wide	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$10,302,279	\$11,253,508	\$16,556,454	\$12,547,772	\$15,566,280	7.9%	8.5%	12.1%	9.0%	10.9%
Investments	10,166,240	9,658,038	4,826,387	10,731,639	10,282,861	7.8%	7.3%	3.5%	7.7%	7.2%
Receivables:										
Delinquent taxes, including penalties	1,335,859	1,255,550	997,482	517,214	282,357	1.0%	0.9%	0.7%	0.4%	0.2%
Accrued interest				1,500	3,372	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts	2,752,039	2,735,105	2,917,560	2,716,986	2,887,595	2.1%	2.1%	2.1%	2.0%	2.0%
Other	53,798	92,460	(22,757)	(406)	(21,096)	0.0%	0.1%	0.0%	0.0%	0.0%
Due from other governments	375,028	383,028	381,799	85,118	90,089	0.3%	0.3%	0.3%	0.1%	0.1%
Inventories and other assets	1,364,070	1,290,194	1,193,125	1,028,921	996,357	1.1%	1.0%	0.9%	0.7%	0.7%
Deferred Charges	122,550	144,843	167,135	115,108	134,023	0.1%	0.1%	0.1%	0.1%	0.1%
Total Current	26,471,863	26,812,726	27,017,185	27,743,852	30,221,838	20.4%	20.2%	19.8%	19.9%	21.1%
Noncurrent Assets										
Temporarily restricted assets - cash and equivalents										
Customer deposits	332,504	263,105	274,495	230,779	232,711	0.3%	0.2%	0.2%	0.2%	0.2%
Bond funds	2,514,277	2,616,113	2,706,465			1.9%	2.0%	2.0%	0.0%	0.0%
Capital assets (net of accumulated depreciation):										
Land	2,803,128	2,606,330	2,606,330	2,606,330	2,606,330	2.2%	2.0%	1.9%	1.9%	1.8%
Construction in progress					7,941,390	0.0%	0.0%	0.0%	0.0%	5.5%
Buildings and improvements	22,411,907	20,568,231	19,734,906	17,834,547	7,967,309	17.3%	15.5%	14.4%	12.8%	5.6%
Utility distribution systems	25,147,952	25,793,116	26,452,014	27,349,952	27,261,932	19.4%	19.5%	19.3%	19.7%	19.0%
Vehicles	447,281	442,865	603,258	1,579,187	1,579,019	0.3%	0.3%	0.4%	1.1%	1.1%
Machinery and equipment	949,522	1,244,490	1,548,014	2,440,288	2,355,491	0.7%	0.9%	1.1%	1.8%	1.6%
Infrastructure	48,623,632	52,214,686	55,805,740	59,396,794	62,987,848	37.5%	39.4%	40.8%	42.7%	44.0%
Total Noncurrent	103,230,203	105,748,936	109,731,222	111,437,877	112,932,030	79.6%	79.8%	80.2%	80.1%	78.9%
Total Assets	129,702,066	132,561,662	136,748,407	139,181,729	143,153,868	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	1,659,396	1,959,955	1,516,071	1,983,027	2,042,097	1.3%	1.5%	1.1%	1.4%	1.4%
Accrued interest payable	142,219	162,686	170,142	133,600	143,572	0.1%	0.1%	0.1%	0.1%	0.1%
Liabilities payable with restricted assets	332,504	263,105	274,495	230,778	234,439	0.3%	0.2%	0.2%	0.2%	0.2%
General obligation bonds - within one year	1,698,782	1,623,563	1,595,389	1,000,835	983,288	1.3%	1.2%	1.2%	0.7%	0.7%
Total Current	3,832,901	4,009,309	3,556,097	3,348,240	3,403,396	3.0%	3.0%	2.6%	2.4%	2.4%
Noncurrent Liabilities										
General obligation bonds - more than one year	12,341,260	13,272,045	14,106,378	12,496,526	13,441,048	9.5%	10.0%	10.3%	9.0%	9.4%
Total Noncurrent	12,341,260	13,272,045	14,106,378	12,496,526	13,441,048	9.5%	10.0%	10.3%	9.0%	9.4%
Total Liabilities	16,174,161	17,281,354	17,662,475	15,844,766	16,844,444	12.5%	13.0%	12.9%	11.4%	11.8%
Net Assets										
Invested in capital assets, net of related debt	90,833,765	92,358,440	92,582,592	98,789,239	99,285,814	70.0%	69.7%	67.7%	71.0%	69.4%
Restricted for:										
Streets and highways	766,933	766,933				0.6%	0.6%	0.0%	0.0%	0.0%
Capital outlays	129,024	104,982				0.1%	0.1%	0.0%	0.0%	0.0%
Community development	417,189	264,645				0.3%	0.2%	0.0%	0.0%	0.0%
Unrestricted	21,380,994	21,785,308	26,503,340	24,544,626	27,023,610	16.5%	16.4%	19.4%	17.6%	18.9%
Total Net Assets	113,527,905	115,280,308	119,085,932	123,333,865	126,309,424	87.5%	87.0%	87.1%	88.6%	88.2%
Liabilities and Net Assets	\$129,702,066	\$132,561,662	\$136,748,407	\$139,178,631	\$143,153,868	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

Town of Front Royal, Comprehensive Annual Financial Report, editions (2008-2012)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets

Table 2

Town of Front Royal

General Fund	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
						Common-Size Statements				
Assets										
Cash and cash equivalents	\$4,599,455	\$2,770,448	\$4,430,766	\$2,318,336	\$1,289,628	48.1%	34.7%	58.7%	34.3%	17.0%
Investments	2,961,983	3,332,023	1,589,900	3,784,556	5,872,267	31.0%	41.7%	21.1%	55.9%	77.2%
Receivables:										
Delinquent taxes, including penalties	1,332,989	1,252,680	994,612	514,023	278,954	14.0%	15.7%	13.2%	7.6%	3.7%
Accrued interest				1,300	1,300	0.0%	0.0%	0.0%	0.0%	0.0%
Other	25,666	12,711	(56,804)	(42,686)	(25,964)	0.3%	0.2%	-0.8%	-0.6%	-0.3%
Due from other governments	375,028	383,028	381,799	85,118	90,089	3.9%	4.8%	5.1%	1.3%	1.2%
Interfund advances	49,915	49,915	49,915	1,425	1,425	0.5%	0.6%	0.7%	0.0%	0.0%
Inventories and other assets	207,520	180,487	153,668	106,035	98,324	2.2%	2.3%	2.0%	1.6%	1.3%
Total Assets	9,552,556	7,981,292	7,543,856	6,768,107	7,606,023	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	149,568	116,920	129,060	252,386	245,321	1.6%	1.5%	1.7%	3.7%	3.2%
Banking advances				13,301	25,153	0.0%	0.0%	0.0%	0.2%	0.3%
Accrued liabilities	168,028	172,656	215,033	199,801	212,148	1.8%	2.2%	2.9%	3.0%	2.8%
Deferred revenue	1,268,339	1,200,626	978,577	311,113	306,334	13.3%	15.0%	13.0%	4.6%	4.0%
Interfund advances	1,743,635	243,635	356,657	443,922	568,922	18.3%	3.1%	4.7%	6.6%	7.5%
Total Liabilities	3,329,570	1,733,837	1,679,327	1,220,523	1,357,878	34.9%	21.7%	22.3%	18.0%	17.9%
Fund Balance										
Nonspendable:										
Inventory	121,602	120,175	60,975	60,975	60,975	1.3%	1.5%	0.8%	0.9%	0.8%
Restricted use					40,000	0.0%	0.0%	0.0%	0.0%	0.5%
Prepaid items	85,918	60,312				0.9%	0.8%	0.0%	0.0%	0.0%
Restricted for:										
Streets and highways	766,933	766,933				8.0%	9.6%	0.0%	0.0%	0.0%
Unassigned	5,248,533	5,300,035	5,803,554	5,486,609	6,147,170	54.9%	66.4%	76.9%	81.1%	80.8%
Total Fund Balance	6,222,986	6,247,455	5,864,529	5,547,584	6,248,145	65.1%	78.3%	77.7%	82.0%	82.1%
Liabilities and Fund Balance	\$9,552,556	\$7,981,292	\$7,543,856	\$6,768,107	\$7,606,023	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

Town of Front Royal, Comprehensive Annual Financial Report, editions (2008-2012)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets

Table 3

Town of Front Royal

General Fund	2012	2011	2010	2009	2008
Revenues					
Taxes:					
Property	\$1,117,894	\$1,359,173	\$1,789,790	\$1,298,549	\$1,161,255
Sales	726,745	707,328	684,300	690,993	683,974
Business and occupational	612,660	633,938	613,273	620,567	708,018
Franchise	19,385	119,434	24,167	1,500	150,318
Consumer	228,374	242,677	190,188	181,779	228,828
Vehicle licenses	350,500	296,784	174,686	223,417	226,689
Bank stock	235,301	259,987	239,686	152,245	160,640
Meals and lodging	1,547,442	1,450,203	1,330,656	1,472,392	1,622,217
Payment in lieu of taxes (net of refunds)	372,920	337,469	307,158	1,046,893	229,098
Permits, privilege fees, and regulatory licenses	74,588	18,182	93,419	92,660	103,277
Fines and forfeitures	213,721	249,598	238,363	252,484	246,650
Revenue from use of money and property	123,824	56,357	109,480	119,307	283,610
Charges for services	25,811	16,257	20,237	45,165	73,114
Miscellaneous	73,568	143,118	213,943	67,378	46,256
Recovered costs				25,000	
Intergovernmental	2,579,543	2,617,660	2,775,345	2,550,174	2,343,470
Total revenues	8,302,276	8,508,165	8,804,691	8,840,503	8,267,414
Expenditures					
General government:					
Legislative	155,176	175,142	166,884	173,189	175,717
Executive	1,520,025	1,556,528	1,588,909	1,605,219	1,401,822
Legal	342,144	347,940	517,295	416,400	257,621
Finance	732,352	803,686	790,675	828,300	801,115
Public safety - Police	3,591,549	3,517,296	3,531,806	3,459,263	3,439,362
Public safety - Fire protection					18,139
Planning, zoning, and community development	408,279	425,568	401,087	475,231	511,295
Engineering and public works	3,421,997	2,712,420	2,878,813	3,776,368	3,033,398
Parks and recreation	95,000	95,000	82,000	68,924	61,208
Nondepartmental	564,173	479,931	518,999	520,070	513,067
Total expenditures	10,830,695	10,113,511	10,476,468	11,322,964	10,212,744
Excess (deficiency) of revenues over expenditures	(2,528,419)	(1,605,346)	(1,671,777)	(2,482,461)	(1,945,330)
Other Financing Sources (Uses)					
Proceeds from loans					
Transfers in	2,503,950	1,988,272	1,988,722	1,781,900	1,781,900
Transfers out					(97,031)
Total other financing sources (uses)	2,503,950	1,988,272	1,988,722	1,781,900	1,684,869
Net change in fund balances	(24,469)	382,926	316,945	(700,561)	(260,461)
Fund Balances at July 1	6,247,455	5,864,529	5,547,584	6,248,145	6,508,606
Fund Balances at June 30	\$6,222,986	\$6,247,455	\$5,864,529	\$5,547,584	\$6,248,145

Source:

Town of Front Royal, Comprehensive Annual Financial Report, editions (2008-2012)

Proprietary Funds	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$5,409,213	\$8,302,960	\$11,840,406	\$9,230,548	\$12,725,855	8.3%	12.6%	17.7%	13.7%	19.2%
Investments	7,204,257	6,326,015	3,236,487	6,947,083	4,410,594	11.1%	9.6%	4.8%	10.3%	6.7%
Due from other funds	1,835,778	335,778	448,800	536,065	661,065	2.8%	0.5%	0.7%	0.8%	1.0%
Interest receivable				200	2,072	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	2,752,039	2,735,105	2,917,560	2,716,986	2,887,595	4.2%	4.2%	4.4%	4.0%	4.4%
Other receivables	28,132	79,749	34,047	42,280	4,868	0.0%	0.1%	0.1%	0.1%	0.0%
Inventories	1,156,550	1,109,707	1,039,457	921,340	898,033	1.8%	1.7%	1.6%	1.4%	1.4%
Total Current	18,385,969	18,889,314	19,516,757	20,394,502	21,590,082	28.3%	28.7%	29.1%	30.4%	32.6%
Noncurrent Assets										
Restricted cash and cash equivalents:										
Customer deposits	332,504	263,105	274,495	230,779	232,711	0.5%	0.4%	0.4%	0.3%	0.4%
Bond funds	2,514,277	2,616,113	2,706,465			3.9%	4.0%	4.0%	0.0%	0.0%
Deferred charges	122,550	144,843	167,135	115,108	134,023	0.2%	0.2%	0.2%	0.2%	0.2%
Capital assets, net:										
Land, buildings, and structures	23,328,726	22,312,133	21,501,548	20,476,485	10,298,168	36.0%	34.0%	32.1%	30.5%	15.5%
Construction in process					7,941,390					12.0%
Utility distribution systems	52,183,185	51,792,498	51,422,939	51,034,066	49,560,234	80.4%	78.8%	76.7%	76.0%	74.8%
Vehicles	2,788,010	2,717,597	2,717,597	2,971,827	2,931,842	4.3%	4.1%	4.1%	4.4%	4.4%
Equipment	2,953,669	2,910,301	2,910,301	2,899,651	2,744,991	4.6%	4.4%	4.3%	4.3%	4.1%
Less accumulated depreciation	(37,732,839)	(35,943,816)	(34,156,223)	(30,945,372)	(29,136,791)	-58.2%	-54.7%	-50.9%	-46.1%	-43.9%
Total Noncurrent	46,490,082	46,812,774	47,544,257	46,782,544	44,706,568	71.7%	71.3%	70.9%	69.6%	67.4%
Total Assets	64,876,051	65,702,088	67,061,014	67,177,046	66,296,650	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	1,331,435	1,670,379	1,171,978	1,533,938	1,586,177	2.1%	2.5%	1.7%	2.3%	2.4%
Accrued interest payable	142,219	162,686	170,142	133,600	143,572	0.2%	0.2%	0.3%	0.2%	0.2%
Compensated absences - current	158,795	165,484	180,278			0.2%	0.3%	0.3%	0.0%	0.0%
Premium on bonds - current			16,591			0.0%	0.0%	0.0%	0.0%	0.0%
General obligation bonds - current	1,034,265	974,905	939,089	919,996	906,030	1.6%	1.5%	1.4%	1.4%	1.4%
Total Current	2,666,714	2,973,454	2,478,078	2,587,534	2,635,779	4.1%	4.5%	3.7%	3.9%	4.0%
Noncurrent Liabilities										
Customer deposits payable	332,504	263,105	274,495	230,778	234,439	0.5%	0.4%	0.4%	0.3%	0.4%
Compensated absences	158,795	165,482	180,277	330,746	313,522	0.2%	0.3%	0.3%	0.5%	0.5%
OPEB liability	270,777	210,613	137,770			0.4%	0.3%	0.2%	0.0%	0.0%
Premium on bonds payable			219,809	220,770	233,166					
General obligation bonds payable	10,936,626	11,970,892	12,725,987	10,930,074	11,850,070	16.9%	18.2%	19.0%	16.3%	17.9%
Total Noncurrent	11,698,702	12,610,092	13,538,338	11,712,368	12,631,197	18.0%	19.2%	20.2%	17.4%	19.1%
Total Liabilities	14,365,416	15,583,546	16,016,416	14,299,902	15,266,976	22.1%	23.7%	23.9%	21.3%	23.0%
Net Assets										
Invested in capital assets, net of related debt	34,064,137	33,459,029	30,494,686	34,365,817	31,350,568	52.5%	50.9%	45.5%	51.2%	47.3%
Unrestricted	16,446,498	16,659,513	20,549,912	18,511,327	19,679,106	25.4%	25.4%	30.6%	27.6%	29.7%
Total Net Assets	50,510,635	50,118,542	51,044,598	52,877,144	51,029,674	77.9%	76.3%	76.1%	78.7%	77.0%
Liabilities and Net Assets	\$64,876,051	\$65,702,088	\$67,061,014	\$67,177,046	\$66,296,650	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

Town of Front Royal, [Comprehensive Annual Financial Report](#), editions (2008-2012)

Enterprise: Electric, Water, Sewer, and Solid Waste Management

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets.

Table 5

Town of Front Royal

Proprietary Funds	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues					
Charges for services:					
Electric sales	\$15,438,570	\$16,259,261	\$15,327,325	\$14,906,183	\$15,049,515
Water and sewer sales	7,037,308	6,054,961	5,286,522	5,317,602	4,908,217
Installation and connection charges	431,394	751,864	252,557	753,490	1,138,878
Refuse service fees	867,388	927,160	946,851	894,884	934,936
Miscellaneous revenues	90,509	93,268	83,265	92,826	326,277
Total operating revenues	<u>23,865,169</u>	<u>24,086,514</u>	<u>21,896,520</u>	<u>21,964,985</u>	<u>22,357,823</u>
Operating Expenses					
Personal service	3,452,770	3,213,113	3,414,799	3,112,021	3,070,341
Contractual service	467,181	598,998	616,736	779,328	976,536
Electric power	12,726,796	14,645,589	12,189,181	11,994,238	10,614,241
Depreciation	1,789,022	1,787,594	3,427,347	1,808,581	1,668,874
Other charges	2,656,413	2,780,190	2,176,491	2,044,570	2,205,749
Operating expenses capitalized	(432,371)	(369,559)	(388,872)	(512,254)	(338,505)
Total operating expenses	<u>20,659,811</u>	<u>22,655,925</u>	<u>21,435,682</u>	<u>19,226,484</u>	<u>18,197,236</u>
Operating income (loss)	<u>3,205,358</u>	<u>1,430,589</u>	<u>460,838</u>	<u>2,738,501</u>	<u>4,160,587</u>
Nonoperating Revenues (Expenses)					
Investment earnings	301,615	217,969	254,472	255,529	749,734
Interest expense	(610,930)	(586,342)	(549,809)	(144,276)	(403,865)
Bond issuance costs			(9,325)	(18,914)	(18,914)
Net nonoperating revenue (expenses)	<u>(309,315)</u>	<u>(368,373)</u>	<u>(304,662)</u>	<u>92,339</u>	<u>326,955</u>
Income (loss) before transfers and capital contributions	<u>2,896,043</u>	<u>1,062,216</u>	<u>156,176</u>	<u>2,830,840</u>	<u>4,487,542</u>
Capital contributions				798,530	646,430
Transfers in (out)	<u>(2,503,950)</u>	<u>(1,988,272)</u>	<u>(1,988,722)</u>	<u>(1,781,900)</u>	<u>(1,781,900)</u>
Change in net assets	<u>392,093</u>	<u>(926,056)</u>	<u>(1,832,546)</u>	<u>1,847,470</u>	<u>3,352,072</u>
Net Assets at July 1	<u>50,118,542</u>	<u>51,044,598</u>	<u>52,877,144</u>	<u>51,029,674</u>	<u>47,677,602</u>
Net Assets at June 30	<u>\$50,510,635</u>	<u>\$50,118,542</u>	<u>\$51,044,598</u>	<u>\$52,877,144</u>	<u>\$51,029,674</u>

Source:

Town of Front Royal, Comprehensive Annual Financial Report, editions (2008-2012)

Table 6

Town of Front Royal

Proprietary Funds	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities					
Receipts from customers	\$23,899,852	\$24,223,267	\$21,704,179	\$22,098,182	\$22,683,151
Payments to suppliers	(15,651,950)	(17,143,322)	(14,944,153)	(14,366,174)	(12,597,752)
Payments to employees	(3,466,146)	(3,242,702)	(3,384,990)	(3,094,797)	(3,056,416)
Net Cash from Operating Activities	4,781,756	3,837,243	3,375,036	4,637,211	7,028,983
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	(2,503,950)	(1,988,272)	(1,988,722)	(1,781,900)	(1,781,900)
Repayment of interfund advances	(1,500,000)	113,022	87,265	125,000	27,968
Net Cash from Noncapital Financing Activities	(4,003,950)	(1,875,250)	(1,901,457)	(1,656,900)	(1,753,932)
Cash Flows from Capital and Related Financing Activities					
Acquisition/construction of capital assets	(1,521,060)	(1,180,144)	(1,386,852)	(3,517,752)	(7,740,116)
Capital contributions				798,530	646,430
Proceeds from bond issuance			2,735,000		
Principal paid on capital debt	(974,906)	(955,679)	(919,994)	(906,030)	(887,190)
Interest paid	(631,396)	(593,798)	(506,962)	(573,208)	(451,931)
Net Cash from Capital and Related Financing Activities	(3,127,362)	(2,729,621)	(78,808)	(4,198,460)	(8,432,807)
Cash Flows from Investing Activities					
Sales (purchases) of investments	(878,242)	(3,089,528)	3,710,596	(2,536,489)	559,537
Interest and dividends received	301,615	217,969	254,472	257,399	749,734
Net Cash from Investing Activities	(576,627)	(2,871,559)	3,965,068	(2,279,090)	1,309,271
Net Increase (Decrease) in Cash and Cash Equivalents	(2,926,183)	(3,639,187)	5,359,839	(3,497,239)	(1,848,485)
Cash and Cash Equivalents - Beginning of Year	11,182,178	14,821,366	9,461,327	12,958,566	14,807,051
Cash and Cash Equivalents - End of Year	\$8,255,995	\$11,182,179	\$14,821,166	\$9,461,327	\$12,958,566
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income	3,205,358	1,430,589	460,838	2,738,501	4,160,587
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,789,022	1,787,594	3,427,347	1,808,581	1,668,874
(Increase) decrease in:					
Accounts receivable	(16,934)	182,455	(200,574)	170,609	300,214
Other receivables	51,617	(45,702)	8,233	(37,412)	25,114
Inventories	(46,843)	(70,250)	(118,117)	(23,307)	(149,960)
Deferred charges	22,293	22,292	(52,027)	18,915	18,914
Increase (decrease) in:					
Customer deposits	69,399	(11,390)	43,717	(3,661)	40,575
Accounts payable	(338,944)	498,401	(361,960)	(52,239)	950,740
OPEB liability	60,164	72,843	137,770	0	
Compensated absences	(13,376)	(29,589)	29,809	17,224	13,925
Net Cash Provided by Operating Activities	\$4,781,756	\$3,837,243	\$3,375,036	\$4,637,211	\$7,028,983

Source:

Town of Front Royal, Comprehensive Annual Financial Report, editions (2008-2012)

Table 7

Town of Front Royal

Ratios	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>From Government-wide Statements:</u>					
Current (Current Assets/Current Liabilities)	6.91	6.69	7.60	8.29	8.88
Cash (Cash and Equivalents/Current Assets)	38.9%	42.0%	61.3%	45.2%	51.5%
Debt-to-assets (Total Liabilities/Total Assets)	0.1247	0.1304	0.1292	0.1138	0.1177
LTD-to-assets (Noncurrent Liabilities/Total Assets)	0.0952	0.1001	0.1032	0.0898	0.0939
Unrestricted (Unrestricted Net Assets/Total Assets)	0.1648	0.1643	0.1938	0.1763	0.1888
<u>From General Fund Statements:</u>					
GF Unassigned (Unassigned Net Assets/Total GF Expenditures)	0.4846	0.5241	0.5540	0.4846	0.6019
<u>From Enterprise Fund Statements:</u>					
Ent Unrestricted (Unrestricted Net Assets/Operating Expenses)	0.7961	0.7353	0.9587	0.9628	1.0814

Table 1

County of Warren

Governmental Activities	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$35,130,146	\$40,750,841	\$40,172,495	\$26,029,906	\$28,335,118	16.7%	18.4%	18.3%	14.6%	18.2%
Receivables:										
Taxes receivable	15,491,334	22,300,458	20,146,759	1,522,706	1,570,037	7.3%	10.1%	9.2%	0.9%	1.0%
Accounts receivable	420,634	356,330	668,008	859,701	413,027	0.2%	0.2%	0.3%	0.5%	0.3%
Interest receivable	118,558	94,016	132,263	225,896		0.1%	0.0%	0.1%	0.1%	0.0%
Due from other funds	574,542	533,363	520,334	487,356	498,517	0.3%	0.2%	0.2%	0.3%	0.3%
Due from component unit	3,328,775	2,997,536	2,681,046	1,878,016	1,010,583	1.6%	1.4%	1.2%	1.1%	0.7%
Due from other governments	1,380,292	1,645,291	1,383,654	1,729,922	1,583,288	0.7%	0.7%	0.6%	1.0%	1.0%
Unamortized bond issue costs	1,739,092	1,491,224	1,573,080	1,509,753	1,411,122	0.8%	0.7%	0.7%	0.8%	0.9%
Total Current	58,183,373	70,169,059	67,277,639	34,243,256	34,821,692	27.6%	31.7%	30.6%	19.2%	22.4%
Noncurrent Assets										
Restricted assets	726,981	5,394,702	16,459,292	23,781,711	2,726,776	0.3%	2.4%	7.5%	13.3%	1.8%
Capital assets:										
Land	11,322,771	10,830,169	10,572,227	10,572,227	9,896,128	5.4%	4.9%	4.8%	5.9%	6.4%
Non-depreciable assets	387,070	387,070	387,070	387,070	387,070	0.2%	0.2%	0.2%	0.2%	0.2%
Buildings and system	122,093,827	99,322,050	100,922,882	102,354,990	102,462,659	57.9%	44.8%	45.9%	57.2%	66.0%
Improvements other than buildings	1,407,779	1,497,186	1,574,493	731,858	754,633	0.7%	0.7%	0.7%	0.4%	0.5%
Machinery and equipment	1,468,572	1,758,737	1,455,529	1,539,708	1,884,754	0.7%	0.8%	0.7%	0.9%	1.2%
Construction in progress	15,228,972	32,283,256	21,449,376	5,198,790	2,376,020	7.2%	14.6%	9.7%	2.9%	1.5%
Total Noncurrent	152,635,972	151,473,170	152,820,869	144,566,354	120,488,040	72.4%	68.3%	69.4%	80.8%	77.6%
Total Assets	210,819,345	221,642,229	220,098,508	178,809,610	155,309,732	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Current Liabilities										
Accounts payable	1,973,141	3,483,538	3,658,833	2,583,934	1,575,761	0.9%	1.6%	1.7%	1.4%	1.0%
Accrued liabilities	174,237	154,669	130,874	151,733	128,577	0.1%	0.1%	0.1%	0.1%	0.1%
Customers' deposits	12,380	9,005	8,260	6,870	7,720	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued interest payable	1,040,566	1,710,334	1,712,265	1,578,236	1,482,942	0.5%	0.8%	0.8%	0.9%	1.0%
Due to other funds					33,159	0.0%	0.0%	0.0%	0.0%	0.0%
Unearned revenue	11,703,071	18,874,412	16,562,598	78,180	49,828	5.6%	8.5%	7.5%	0.0%	0.0%
Bonds payable - within one year	5,094,096	4,956,338	4,903,605	5,581,738	2,931,674	2.4%	2.2%	2.2%	3.1%	1.9%
Total Current	19,997,491	29,188,296	26,976,435	9,980,691	6,209,661	9.5%	13.2%	12.3%	5.6%	4.0%
Bonds payable - more than one year	112,407,840	116,370,976	121,018,191	115,869,843	96,770,644	53.3%	52.5%	55.0%	64.8%	62.3%
Total Noncurrent	112,407,840	116,370,976	121,018,191	115,869,843	96,770,644	53.3%	52.5%	55.0%	64.8%	62.3%
Total Liabilities	132,405,331	145,559,272	147,994,626	125,850,534	102,980,305	62.8%	65.7%	67.2%	70.4%	66.3%
Net Assets										
Invested in capital assets, net of related debt	39,807,455	33,051,889	28,433,137	23,980,653	23,611,594	18.9%	14.9%	12.9%	13.4%	15.2%
Restricted for proffers	410,906	404,906	404,906	671,806	530,100	0.2%	0.2%	0.2%	0.4%	0.3%
Restricted for public safety	61,845					0.0%	0.0%	0.0%	0.0%	0.0%
Unrestricted	38,133,808	42,626,162	43,265,839	28,306,617	28,187,733	18.1%	19.2%	19.7%	15.8%	18.1%
Total Net Assets	78,414,014	76,082,957	72,103,882	52,959,076	52,329,427	37.2%	34.3%	32.8%	29.6%	33.7%
Liabilities and Net Assets	\$210,819,345	\$221,642,229	\$220,098,508	\$178,809,610	\$155,309,732	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

County of Warren, [Comprehensive Annual Financial Report](#) 5 editions (2008-2012)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets.

Table 2

County of Warren

General Fund	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
						Common-Size Statements				
Assets										
Current Assets										
Cash and cash equivalents	\$10,392,443	\$11,145,482	\$11,952,657	\$11,521,152	\$15,168,660	34.0%	29.4%	31.8%	64.1%	75.6%
Receivables:										
Taxes receivable	14,340,516	21,192,623	19,113,038	1,287,631	1,388,371	46.9%	55.8%	50.9%	7.2%	6.9%
Accounts receivable	420,634	356,330	660,320	856,288	409,732	1.4%	0.9%	1.8%	4.8%	2.0%
Interest receivable	118,558	94,016	132,263	225,896		0.4%	0.2%	0.4%	1.3%	0.0%
Due from other funds	574,862	533,683	520,654	487,676	498,837	1.9%	1.4%	1.4%	2.7%	2.5%
Due from component unit	3,328,775	2,997,536	2,681,046	1,878,016	1,010,583	10.9%	7.9%	7.1%	10.4%	5.0%
Due from other government units	1,380,292	1,645,291	1,383,654	1,729,922	1,583,288	4.5%	4.3%	3.7%	9.6%	7.9%
Restricted assets			1,124,975			0.0%	0.0%	3.0%	0.0%	0.0%
Total Assets	30,556,080	37,964,961	37,568,607	17,986,581	20,059,471	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Accounts payable	1,969,480	3,029,557	1,265,788	1,474,927	1,561,230	6.4%	8.0%	3.4%	8.2%	7.8%
Customers' deposits	14,180	9,005	8,260	6,870	7,720	0.0%	0.0%	0.0%	0.0%	0.0%
Due to other funds					33,161	0.0%	0.0%	0.0%	0.0%	0.2%
Deferred revenue	14,815,271	21,359,693	19,086,316	1,052,504	1,252,001	48.5%	56.3%	50.8%	5.9%	6.2%
Total Liabilities	16,798,931	24,398,255	20,360,364	2,534,301	2,854,112	55.0%	64.3%	54.2%	14.1%	14.2%
Net Assets										
Unassigned	13,757,149	13,566,706	17,208,243	15,452,280	17,205,359	45.0%	35.7%	45.8%	85.9%	85.8%
Total Net Assets	13,757,149	13,566,706	17,208,243	15,452,280	17,205,359	45.0%	35.7%	45.8%	85.9%	85.8%
Liabilities and Net Assets										
	\$30,556,080	\$37,964,961	\$37,568,607	\$17,986,581	\$20,059,471	100.0%	100.0%	100.0%	100.0%	100.0%

Source:

County of Warren, Comprehensive Annual Financial Report, 5 editions (2008-2012)

Note: Common-Size Statements allow the reader to analyze the proportion that an individual asset or liability represents as a percentage of total assets.

Table 3

County of Warren

General Fund	2012	2011	2010	2009	2008
Revenues					
General property taxes	\$32,658,661	\$32,484,702	\$45,317,019	\$29,186,781	\$28,616,592
Other local taxes	6,811,776	6,069,186	6,036,056	7,451,780	7,263,536
Permits, privilege fees and regulatory licenses	527,806	555,982	497,196	495,544	645,012
Fines and forfeitures	24,776	49,216	48,014	42,395	62,110
Revenue from use of money and property	386,991	424,507	458,888	673,540	1,485,990
Charges for services	2,408,251	2,237,108	1,554,441	1,680,786	2,025,650
Miscellaneous	584,048	4,176,201	199,505	969,871	267,688
Recovered costs	14,514	17,463	553,957	677,069	576,439
Intergovernmental:					
From Commonwealth	11,927,657	11,780,579	12,217,113	11,501,977	12,456,865
From Federal Government	2,106,954	2,940,161	2,380,365	2,819,257	2,124,856
Total revenues	57,451,434	60,735,105	69,262,554	55,499,000	55,524,738
Expenditures					
General government administration	2,671,164	3,023,745	2,450,952	2,521,049	2,396,688
Judicial administration	1,448,578	1,387,022	1,208,840	1,152,773	1,196,882
Public safety	10,440,453	10,159,898	9,577,520	9,654,353	9,764,298
Public works	3,021,086	3,060,627	3,008,844	3,125,693	3,609,591
Health and welfare	6,706,491	6,688,564	7,280,066	7,351,875	7,448,551
Education	18,643,244	20,687,963	18,656,432	18,875,998	18,616,370
Parks, recreation, and cultural	2,828,558	2,779,555	2,238,494	1,976,281	1,949,203
Community development	734,419	781,834	856,205	975,573	987,983
Nondepartmental	249,404	197,336	182,337	172,356	475,784
Capital projects	11,558,861	8,145,863	3,427,999	5,151,200	4,546,893
Debt service:					
Principal retirement	3,458,550	4,490,955	3,711,768	1,525,382	1,165,548
Interest and other fiscal charges	6,758,827	5,231,529	4,964,661	4,243,775	3,813,165
Total expenditures	68,519,635	66,634,891	57,564,118	56,726,308	55,970,956
Excess (deficiency) of revenues over expenditures	(11,068,201)	(5,899,786)	11,698,436	(1,227,308)	(446,218)
Other Financing Sources (Uses)					
Transfers in	10,872,140	8,667,257	5,115,845	2,681,457	2,050,212
Transfers out	(1,460,042)	(6,501,675)	(16,703,670)	(3,702,228)	(10,622,856)
Issuance of refunding general obligation bonds			3,692,300		
Issuance of capital leases		318,628	403,054	495,000	304,139
Issuance of lease revenue refunding bonds	77,000,000				
Premium on issuance of refunding bonds	10,859,925				
Payment to refunding bond escrow agent	(86,013,379)		(2,450,000)		
Total other financing sources (uses)	11,258,644	2,484,210	(9,942,471)	(525,771)	(8,268,505)
Changes in fund balances	190,443	(3,415,576)	1,755,965	(1,753,079)	(8,714,723)
Fund balance reclassification		(225,961)	(2)		
Fund balances at beginning of year	13,566,706	17,208,243	15,452,280	17,205,359	25,920,082
Fund balances at end of year	\$13,757,149	\$13,566,706	\$17,208,243	\$15,452,280	\$17,205,359

Source:

County of Warren, Comprehensive Annual Financial Report, 5 editions (2008-2012)

Table 4

County of Warren

Ratios	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>From Government-wide Statements:</u>					
Current (Current Assets/Current Liabilities)	2.91	2.40	2.49	3.43	5.61
Cash (Cash and Equivalents/Current Assets)	60.4%	58.1%	59.7%	76.0%	81.4%
Debt-to-assets (Total Liabilities/Total Assets)	0.6281	0.6567	0.6724	0.7038	0.6631
LTD-to-assets (Noncurrent Liabilities/Total Assets)	0.5332	0.5250	0.5498	0.6480	0.6231
Unrestricted (Unrestricted Net Assets/Total Assets)	0.1809	0.1923	0.1966	0.1583	0.1815
<u>From General Fund Statements:</u>					
GF Unassigned (Unassigned Net Assets/Total GF Expenditures)	0.2008	0.2036	0.2989	0.2724	0.3074
Unrestricted Net Assets/Total Operating Expenses	0.3558	0.3976	0.4070		