

TOWN OF FRONT ROYAL, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the year ended June 30, 2025

Prepared by the Department of Finance
B.J. Wilson
Assistant Town Manager / Director of Finance

FOREWORD

Front Royal is located in Warren County in Northern Virginia approximately 17 miles south of Winchester and 70 miles west of Washington, DC. The Town was founded in 1754 and chartered by the General Assembly of Virginia in 1788. U.S. Highways 522 and 340, and State Route 55 provide access to the Town. Interstate Highways 66 and 81 are located 1 mile north and 6 miles west of the Town, respectively. The Town covers an area of approximately 10.5 square miles and has a population estimated at 15,000.

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

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INTRODUCTORY SECTION



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

Joseph W. Petty
Town Manager
jpetty@frontroyalva.com

November 14, 2025

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

RE: FY 2024-25 Annual Comprehensive Financial Report
(ACFR) Letter of Transmittal

The Annual Comprehensive Financial Report (ACFR) for the Town of Front Royal, Virginia, for the fiscal year ending June 30, 2025 that provides informative and relevant financial data about Town operations in FY2024-2025. The ACFR fulfills the requirement contained in both Code of Virginia and the Town Code for completion of an annual audit of the Town's financial accounts and records by UHY LLP, a firm of licensed certified public accountants. Management assumes full responsibility for the completeness and reliability of all the information presented in this report.

To the best of our knowledge and reliance on the firm's accuracy, the information provided in this report is correct in all material respects and fairly presents the financial position of the Town. One of the goals of their recent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ending June 30, 2025, are free of material misstatements. The evaluation of the costs and benefits of a proposed internal control requires the application of best estimates and experience by management.

Based upon their audit, UHY LLP, they concluded that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ending June 30, 2025, conform to the generally accepted accounting principles and standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). The firm's responsibility involved examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The Annual Comprehensive Financial Report (ACFR)

The ACFR is presented in three (3) main sections:

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

Profile of the Town

Front Royal is located in the County of Warren in Northwestern Virginia approximately seventeen (17) miles south of Winchester and seventy (70) miles west of Washington DC. The Town was founded in 1754 and incorporated by the General Assembly of Virginia in 1788. Interstates 66 and 81 are located at the northern Town limits and west of the Town, respectively. U.S. Highways 522 and 340, and State Route 55 provide access to the Town. Major rail lines are also located along the western and northern boundaries of the Town. The Town covers approximately ten and one-half (1/2) square miles and has an estimated population of 15,263.

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

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

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

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

Economic Outlook

The Town received a total of \$15,851,180 from the American Rescue Plan Act (ARPA). \$7.9 million was received in June 2021 and an additional \$7.9 million was received in July 2023 from this program. From this funding, the Town allocated \$9,925,590 toward the Redundant Waterline Project in the Rt. 522 Corridor and \$5,925,590 toward the I&I Abatement project. The Redundant Waterline Project has experienced on-going delays and is anticipated to be completed during FY26.

An increase of approximately 2.5% was implemented for Town sewer utility services during July 2024 to help offset rising expenses. Solid waste rates were increased September 2024 and a solid waste rate structure was implemented for the newly established Main Street Solid Waste Service Area, to offset rising expenses and the municipal tipping fees enacted by Warren County during July 2024.

Water and electric rates remained the same for FY25. The Town is undergoing an electric cost of service analysis and expects to increase electric rates during FY26 due to rising purchase power costs.

Major Initiatives in FY25

During FY25 the Town continued with significant infrastructure projects, particularly the rehabilitation of aging and failing sewer lines allowing in inflows and infiltration (I & I) of storm water into our sewer system. The following major projects were initiated, continued, or completed during the fiscal year:

- *I & I Abatement* – significant work has continued towards becoming compliant with the DEQ consent order. The most problematic areas were identified, and corrective action has continued.
 - Sewer lining/rehabilitation - \$4,947,300 was completed during FY25.
 - Manhole Rehabilitation - \$931,227 was completed during FY25
 - Sewer flow monitoring - \$272,700 began during FY25 and is expected to be completed during FY26 to determine the effectiveness of the I&I Abatement work the Town has performed in recent years and identify areas that the Town will focus on in the future .
- *Redundant Waterline* – a construction contract for \$18,294,904 was awarded in October 2022. Due to unforeseen delays, this line is anticipated to be completed in FY26 and will provide the necessary redundancy in the event of a major water line break which could cause the water supply to the Corridor businesses and industry to be interrupted for an extended amount of time.
- *Paving Projects* – Paving projects and street reconstruction projects totaling approximately \$340,000 were completed during FY25.
- *8th Street Bridge Rehabilitation* – Project Approximately \$3 million was approved for the VDOT revenue sharing program; construction started in April 2024 and rehabilitation is expected to be completed by early 2026.

- Paving of Public Works Facilities – \$409,020 in conjunction with the construction of the Fleet Maintenance Building, the Public Works facilities at 600 Crosby Rd were repaved during FY26.
- Fleet Maintenance Building Rehabilitation – Total project cost \$2,450,000 including construction and associated equipment.
 - Construction/demolition began April 2023 to construct a 10,000 square feet pre-engineered metal building between two existing structures that will be used by the fleet maintenance division to maintain the Town’s public works equipment including vehicles, heavy duty equipment, and small engines. Construction was completed in October 2024 and an open house was held in November 2024.
- Upgrade Influent Pump Station for Wastewater Treatment Plant – A construction contract was awarded September 2023 in the amount of \$959,101 to provide upgrades to the Influent Pump Station and replace pumps that were in operation since 1970’s, construction was completed during FY25.

Town Awards and Achievements

- Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Front Royal for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2024. This was the thirty ninth (39) consecutive year that the Town has received this prestigious award. The GFOA awards a Certificate to municipalities that exemplify excellence in financial reporting in conformity with stringent reporting requirements established by the GFOA. A Certificate of Achievement is valid for a period of one year. We believe that our current ACFR meets the Certificate of Achievement Program's requirements, and we will submit the ACFR to the GFOA to determine the Town's eligibility for continued recognition.
- 2024 Excellence in Waterworks Operations/Performance Award – For achieving Virginia's optimization program goals from the Virginia Department of Health Office of Drinking Water, the Town of Front Royal Water Treatment plant was awarded the 2024 Gold Excellence Award for the eighth consecutive year.
- 2024 Reliable Public Power Provider – continued designation for achieving exceptional reliability from American Public Power Association (APPA), a trade group that represents more than 2,000 not-for-profit community-owned electric utilities, recognized the Town Department of Energy Services for reliable electric services to the community.
- 2024 Safety Award of Excellence – Diamond Level – the American Public Power Association (APPA) recognizes utilities’ incident rates and the overall stat of their safety programs and culture.

Acknowledgements

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

Joe Petty
Town Manager

B.J. Wilson
Assistant Town Manager & Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Front Royal
Virginia**

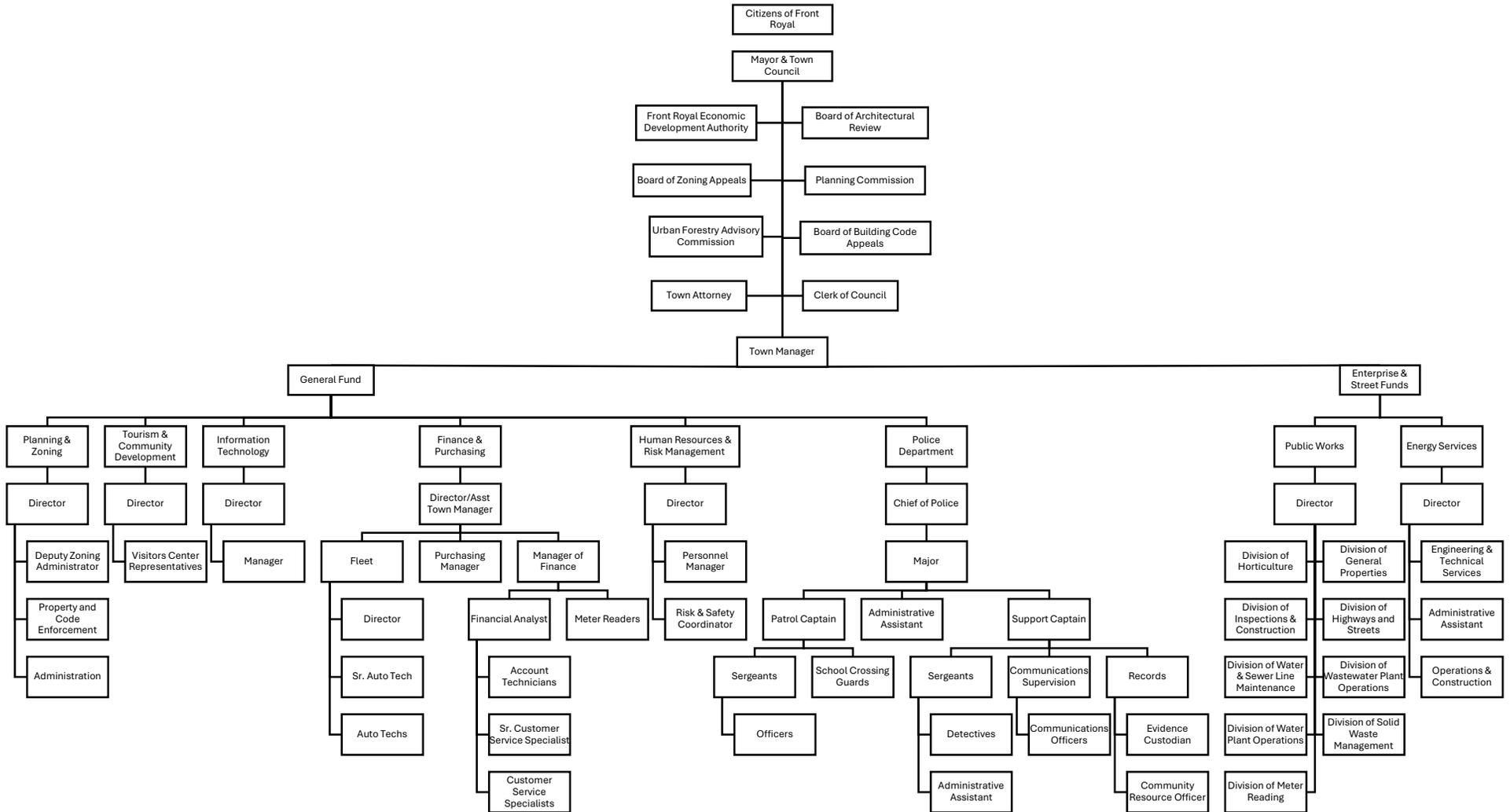
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

**Town of Front Royal
Organizational Chart
Fiscal Year Ended June 30, 2025**



TOWN OF FRONT ROYAL, VIRGINIA

June 30, 2025

TOWN COUNCIL

Lori Cockrell - Mayor
Amber Veitenthal - Vice Mayor
Joshua Ingram
R. Wayne Sealock
Melissa DeDomenico-Payne
H. Bruce Rappaport
Glenn Wood

TOWN OFFICIALS

Town Manager	Joseph Petty
Director of Planning & Community Development	Lauren Kopishke
Town Attorney	George Sonnett
Chief of Police	Brian Whited
Director of Public Works	Robert Boyer
Director of Human Resources	Laura McIntosh
Assistant Town Manger & Director of Finance	B.J. Wilson
Director of Information Technology	Charles Hutchings
Director of Energy Services	Carey Saffelle
Director of Fleet Management	Donald McPaters
Director of Tourism & Community Development	Elizabeth Lewis



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Front Royal, Virginia (the "Town") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Town adopted GASB Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures* on July 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information ("OSI"), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The OSI, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the OSI, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Salisbury, Maryland
November 14, 2025

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2025

As management of the Town of Front Royal, Virginia (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town of Front Royal, Virginia for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found in this report, as listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$171,200,055. Of this amount, \$43,536,279 is unrestricted and may be used to meet the Town’s ongoing obligations to its citizens and creditors.
- The Town’s total net position increased by \$3,152,790 for fiscal year ended June 30, 2025.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$25,630,632, an increase of \$474,868 in comparison with the prior year. Approximately 57% of this amount (\$14,590,894) is unassigned and available for spending at the government’s discretion. At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,806,937 or ~99% of total general fund expenditures.
- The Town’s total bonded debt decreased by \$2,861,301 (9.04%) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2025

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found in this report, as listed in the table of contents.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2025

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

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

The basic proprietary fund financial statements can be found in this report, as listed in the table of contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in this report, as listed on the table of contents.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$171,200,055 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (72%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF FRONT ROYAL, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

The following table presents a summary of the Town’s net position by type of activity as of June 30, 2025 and 2024.

TOWN OF FRONT ROYAL - NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 28,641,348	\$ 28,146,167	\$ 33,746,208	\$ 36,216,593	\$ 62,387,556	\$ 64,362,760
Capital assets	40,506,122	42,930,642	120,364,322	117,980,073	160,870,444	160,910,715
Total assets	69,147,470	71,076,809	154,110,530	154,196,666	223,258,000	225,273,475
Deferred outflows of resources	2,349,046	1,270,457	1,280,307	754,396	3,629,353	2,024,853
Noncurrent liabilities*	18,127,703	17,866,702	30,665,701	33,293,031	48,793,404	51,159,733
Other liabilities	632,550	908,359	3,217,440	4,620,922	3,849,990	5,529,281
Total liabilities	18,760,253	18,775,061	33,883,141	37,913,953	52,643,394	56,689,014
Deferred inflows of resources	1,953,871	1,709,770	1,090,033	852,279	3,043,904	2,562,049
Net investment in capital assets	30,371,362	32,357,706	93,226,746	87,288,376	123,598,108	119,646,082
Restricted	4,065,668	4,180,820	-	-	4,065,668	4,180,820
Unrestricted*	16,345,362	15,323,909	27,190,917	28,896,454	43,536,279	44,220,363
Total net position	\$ 50,782,392	\$ 51,862,435	\$ 120,417,663	\$ 116,184,830	\$ 171,200,055	\$ 168,047,265

*Certain amounts are shown as restated due to the adoption of GASB 101, *Compensated Absences*. See Note 18 in the Notes to the Financial Section of this report for more information.

Net investment in capital assets and restricted net position (75%) represents resources that are in a nonspendable form. The remaining balance of \$45,536,279 is unrestricted net position and may be used to meet the government’s ongoing obligations to its citizens and creditors.

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

The Town’s net position increased by \$3,152,790 from fiscal year ended June 30, 2024 activities. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

TOWN OF FRONT ROYAL, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

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

TOWN OF FRONT ROYAL - CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 667,586	\$ 411,348	\$ 34,929,040	\$ 32,481,166	\$ 35,596,626	\$ 32,892,514
Operating grants & contributions	3,309,364	3,342,339	-	-	3,309,364	3,342,339
Capital grants & contributions	271,561	165,000	986,088	7,763,101	1,257,649	7,928,101
General revenues						
Property taxes	2,404,957	2,539,502	-	-	2,404,957	2,539,502
Other taxes	8,124,802	8,037,088	-	-	8,124,802	8,037,088
Investment and other earnings	597,804	1,181,853	1,589,894	3,024,422	2,187,698	4,206,275
Total revenues	15,376,074	15,677,130	37,505,022	43,268,689	52,881,096	58,945,819
Expenses						
General government	5,167,357	5,125,186	-	-	5,167,357	5,125,186
Public safety	6,020,740	5,350,661	-	-	6,020,740	5,350,661
Planning, zoning, and community development	942,688	1,283,036	-	-	942,688	1,283,036
Public works and engineering	2,984,286	2,810,396	-	-	2,984,286	2,810,396
Interest	258,033	255,462	-	-	258,033	255,462
Infrastructure depreciation	4,085,813	4,085,813	-	-	4,085,813	4,085,813
Electric	-	-	19,295,263	18,281,702	19,295,263	18,281,702
Water	-	-	3,948,056	3,630,147	3,948,056	3,630,147
Sewer	-	-	5,641,404	5,512,911	5,641,404	5,512,911
Solid waste management	-	-	1,384,666	1,070,432	1,384,666	1,070,432
Total expenses	19,458,917	18,910,554	30,269,389	28,495,192	49,728,306	47,405,746
Increase (decrease) in net position						
before transfers	(4,082,843)	(3,233,424)	7,235,633	14,773,497	3,152,790	11,540,073
Transfers in (out)	3,002,800	3,110,000	(3,002,800)	(3,110,000)	-	-
Change in net position	(1,080,043)	(123,424)	4,232,833	11,663,497	3,152,790	11,540,073
Net position - beginning, as restated*	51,862,435	51,985,859	116,184,830	104,521,333	168,047,265	156,507,192
Net position - ending	\$ 50,782,392	\$ 51,862,435	\$ 120,417,663	\$ 116,184,830	171,200,055	\$ 168,047,265

*Effective July 1, 2024, the Town adopted GASB Statement No. 101, *Compensated Absences*. It was not practicable to determine the liability as of June 30, 2023 as leave reports were not available for that time. Therefore, the cumulative affect of adopting GASB 101 was applied to beginning net position for fiscal year 2024.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2025

Governmental Activities

- Revenue from the Town's governmental activities decreased by \$301,056. The decrease relates to a decrease in investment and other earnings offset by an increase in charges for services.
- The cost of all governmental activities this year was \$19,458,917. For which, 12% was paid by property tax dollars. Expense from the governmental activities increased by \$548,363 related to the increased personnel costs for the public safety departments within the Town.
- The governmental activities ended the year with a decrease in net position of \$1,080,043.

Business-type Activities

- Revenue from the Town's business-type activities decreased by \$5,763,668. The decrease relates mostly to a decrease in capital grant revenues related to ARPA funds and a decrease in investment earnings.
- Expenses from the Town's business-type activities increased by \$1,774,196. The increase relates mostly to increases in the cost of electricity purchased.
- The business-type activities ended the year with an increase in net position of \$4,232,833.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$25,630,632 an increase of \$474,868 in comparison with the prior year. Approximately 57% of this total amount, \$14,590,894 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance represents funds in nonspendable form (\$55,137), assigned for future use (\$6,918,933), and restricted by third parties (\$4,065,668).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,806,937, while total fund balance reached \$26,290,351. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 99% of total general fund expenditures.

The fund balance of the Town's general fund increased by \$1,052,089 during the current fiscal year. The increase primarily relates to transfers in from other funds of \$3,330,000.

TOWN OF FRONT ROYAL, VIRGINIA

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2025

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

Net position of the electric, water, sewer, and solid waste management functions at the end of the year amounted to \$20,892,710, \$47,394,350, \$50,591,354, and \$1,539,249 respectively. The total increase in net position for all enterprise funds was \$4,232,833. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

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

- Revenues from the use of money & property exceeded budget by \$228,133 as a result of higher investment earnings than the Town anticipated.
- Budgeted property tax revenue exceeded the actual revenue earned by \$128,405 due to the Town slightly overestimating assessment values for properties.
- Budgeted intergovernmental revenue exceed actual revenue earned by \$785,393 due to timing differences of when grants are awarded to when grant revenue is recognized.
- Budgeted expenditures exceeded actual expenditures by \$7,813,548.
 - The executive department was under budget by \$1,055,630, mostly relating to capital asset purchases being delayed and capital outlay projects being reported separately.
 - The public safety department was under budget by \$1,079,816, mostly relating to capital asset purchases being delayed and overbudgeting of personnel costs.
 - The public works department was under budget by \$7,656,162 mostly relating to capital outlay projects being reported separately and conservative budget approach on bridge repairs and street reconstruction.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$160,870,444 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways, and bridges. The total decrease in capital assets for the current fiscal year was approximately 0.03%. Major capital assets events during the current fiscal year included the following:

- Redundant waterline construction and upgrade projects totaling \$2,381,492.
- Sewer rehabilitation projects totaling \$1,704,802.
- Fleet maintenance construction project totaling \$747,471.

TOWN OF FRONT ROYAL, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

The table below summarizes the capital assets of the Town at June 30, 2025 and 2024:

TOWN OF FRONT ROYAL - CAPITAL ASSETS
(NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,304,316	\$ 1,304,316	\$ 1,461,822	\$ 1,461,822	\$ 2,766,138	\$ 2,766,138
Intangible asset - Easement	-	-	50,000	-	50,000	-
Construction in progress	715,932	2,247,306	18,166,184	22,738,200	18,882,116	24,985,506
Buildings and improvements	23,671,429	20,662,500	79,120,804	72,373,394	102,792,233	93,035,894
Utility distribution systems	-	-	17,469,271	18,649,945	17,469,271	18,649,945
Vehicles	454,993	149,725	293,399	190,758	748,392	340,483
Equipment	707,766	774,735	3,411,969	2,109,936	4,119,735	2,884,671
Infrastructure	13,599,860	17,685,673	-	-	13,599,860	17,685,673
Right-of-use asset - Leases	51,826	76,379	390,873	456,018	442,699	532,397
Right-of-use asset - SBITA	-	30,008	-	-	-	30,008
Total	\$ 40,506,122	\$ 42,930,642	\$ 120,364,322	\$ 117,980,073	\$ 160,870,444	\$ 160,910,715

Additional information on the Town’s capital assets can be found in Note 5 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$28,774,848 All of this amount comprises debt backed by the full faith and credit of the government. There was no new bonded debt issued in fiscal year 2025.

TOWN OF FRONT ROYAL - OUTSTANDING DEBT
(GENERAL OBLIGATION BONDS)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 2,287,774	\$ 2,370,196	\$ 26,487,074	\$ 29,265,953	\$ 28,774,848	\$ 31,636,149

The Town of Front Royal’s total bonded debt decreased by \$2,861,301 (9.04%) during the current fiscal year. There were no new bonds issued in the current year.

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

**TOWN OF FRONT ROYAL, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025**

Long-term notes debt. At the end of the current fiscal year, the Town of Front Royal, Virginia had total notes payable outstanding of \$7,792,483. All of this amount comprises debt backed by collateral for which the notes were obtained to purchase.

TOWN OF FRONT ROYAL - OUTSTANDING DEBT
(NOTES PAYABLE)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes payable	\$ 7,792,483	\$ 8,094,705	\$ -	\$ -	\$ 7,792,483	\$ 8,094,705

The Town’s total notes debt decreased during the current fiscal year. All of the debt is general obligation notes. The reason for the decrease is the continuing principal paydowns on existing notes during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total taxable assessed valuation. The current debt limitation for the Town of Front Royal is \$213,139,721 which is significantly in excess of the Town’s outstanding general obligation debt.

Additional information on the Town’s long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Effective July 1, 2025, a 3% increase was implemented for water rates and 2.25% increase was implemented for sanitary sewer rates.
- A cost-of-service rate study will be performed for electric rates with implementation expected during FY26.
Effective July 1, 2025, the Town’s health insurance provider implemented a 6.5% increase to health insurance rates for employees.

All of these factors were considered in preparing the Town of Front Royal, Virginia’s budget for the 2026 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund was \$16,806,937. Town of Front Royal has not appropriated any of this amount for spending in the 2026 fiscal year budget. It is available to offset the need for additional resources to be generated by the general fund.

Requests for Information

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

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 6,896,640	\$ 5,040,580	\$ 11,937,220
Investments	8,457,598	30,554,950	39,012,548
Taxes receivable, net	2,122,392	-	2,122,392
Accounts receivable, net	317,728	3,532,531	3,850,259
Lease receivable	-	303,588	303,588
Other receivables, net	-	86,198	86,198
Internal balances	10,229,735	(10,229,735)	-
Due from other governments	557,625	-	557,625
Inventories and other assets	59,630	3,593,259	3,652,889
Restricted assets - cash and cash equivalents			
Customer deposits	-	864,837	864,837
Capital assets:			
Nondepreciable assets	2,020,248	19,678,006	21,698,254
Depreciable and intangible assets, net	38,485,874	100,686,316	139,172,190
Total assets	69,147,470	154,110,530	223,258,000
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunded debt	-	207,784	207,784
Pension benefits	1,953,493	1,006,345	2,959,838
Other post-employment benefits	395,553	66,178	461,731
Total deferred outflow of resources	2,349,046	1,280,307	3,629,353
LIABILITIES:			
Accounts payable and accrued expenses	632,550	2,079,857	2,712,407
Customer deposits payable	-	864,837	864,837
Retainage payable	-	272,746	272,746
Noncurrent liabilities			
Due within one year	973,169	3,202,030	4,175,199
Due in more than one year	17,154,534	27,463,671	44,618,205
Total liabilities	18,760,253	33,883,141	52,643,394
DEFERRED INFLOWS OF RESOURCES:			
Pension benefits	783,458	403,600	1,187,058
Other post-employment benefits	1,170,413	391,788	1,562,201
Leases	-	294,645	294,645
Total deferred inflows of resources	1,953,871	1,090,033	3,043,904
NET POSITION:			
Net investment in capital assets	30,371,362	93,226,746	123,598,108
Restricted for:			
Streets and highways	2,509,344	-	2,509,344
Capital outlays	47,305	-	47,305
Community development	1,509,019	-	1,509,019
Unrestricted	16,345,362	27,190,917	43,536,279
Total net position	\$ 50,782,392	\$ 120,417,663	\$ 171,200,055

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities				
General government	\$ 5,167,357	\$ 3,320	\$ 80,456	\$ -
Public safety	6,020,740	603,244	470,631	-
Planning, zoning, and community development	942,688	61,022	-	-
Public works and engineering	2,984,286	-	2,758,277	271,561
Interest	258,033	-	-	-
Infrastructure depreciation	4,085,813	-	-	-
Total governmental activities	19,458,917	667,586	3,309,364	271,561
Business-type activities				
Electric	19,295,263	20,351,206	-	72,740
Water	3,948,056	5,659,076	-	90,682
Sewer	5,641,404	7,246,319	-	819,666
Solid waste management	1,384,666	1,672,439	-	3,000
Total business-type activities	30,269,389	34,929,040	-	986,088
Total primary government	49,728,306	35,596,626	3,309,364	1,257,649

General revenues:

Property taxes
Sales taxes
Business and occupational taxes
Franchise and bank stock taxes
Consumer taxes
Communication taxes
Virginia personal property tax reduction
Vehicle taxes
Meals and lodging taxes
Other general taxes
Payment in lieu of taxes
Unrestricted investment earnings
Gain on sale of capital assets
Recovered costs
Miscellaneous
Net transfers in (out)

Total general revenues and transfers

Change in net position

Net position - beginning, as previously reported

Change in accounting principle - GASB 101

Net position - beginning, as restated

Net position - ending

See accompanying notes

<u>Net (Expense) Revenue and Change in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (5,083,581)	\$ -	\$ (5,083,581)
(4,946,865)	-	(4,946,865)
(881,666)	-	(881,666)
45,552	-	45,552
(258,033)	-	(258,033)
(4,085,813)	-	(4,085,813)
<u>(15,210,406)</u>	<u>-</u>	<u>(15,210,406)</u>
-	1,128,683	1,128,683
-	1,801,702	1,801,702
-	2,424,581	2,424,581
-	290,773	290,773
<u>-</u>	<u>5,645,739</u>	<u>5,645,739</u>
<u>(15,210,406)</u>	<u>5,645,739</u>	<u>(9,564,667)</u>
2,404,957	-	2,404,957
1,543,660	-	1,543,660
1,062,358	-	1,062,358
515,244	-	515,244
240,513	-	240,513
110,332	-	110,332
287,865	-	287,865
390,394	-	390,394
2,949,238	-	2,949,238
123,962	-	123,962
901,236	-	901,236
578,133	1,492,078	2,070,211
-	18,085	18,085
16,868	-	16,868
2,803	79,731	82,534
3,002,800	(3,002,800)	-
<u>14,130,363</u>	<u>(1,412,906)</u>	<u>12,717,457</u>
<u>(1,080,043)</u>	<u>4,232,833</u>	<u>3,152,790</u>
52,003,678	116,294,888	168,298,566
(141,243)	(110,058)	(251,301)
<u>51,862,435</u>	<u>116,184,830</u>	<u>168,047,265</u>
<u>\$ 50,782,392</u>	<u>\$ 120,417,663</u>	<u>\$ 171,200,055</u>

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 5,340,316	\$ 1,556,324	\$ 6,896,640
Investments	8,457,598	-	8,457,598
Due from other funds	12,450,271	-	12,450,271
Taxes receivable	2,627,392	-	2,627,392
Accounts receivable, net	317,728	-	317,728
Due from other governments	557,625	-	557,625
Inventories and other assets	55,137	4,493	59,630
Total assets	\$ 29,806,067	\$ 1,560,817	\$ 31,366,884
<u>LIABILITIES AND FUND BALANCE:</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 632,550	\$ -	\$ 632,550
Compensated absences	121,513	-	121,513
Due to other funds	-	2,220,536	2,220,536
Total liabilities	754,063	2,220,536	2,974,599
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	2,761,653	-	2,761,653
Fund balances			
Nonspendable:			
Inventory	4,472	-	4,472
Prepaid items	50,665	-	50,665
Restricted for:			
Streets and highways	2,509,344	-	2,509,344
Capital outlays	-	47,305	47,305
Community development	-	1,509,019	1,509,019
Assigned	6,918,933	-	6,918,933
Unassigned	16,806,937	(2,216,043)	14,590,894
Total fund balance	26,290,351	(659,719)	25,630,632
Total liabilities, deferred inflows of resources and fund balance	\$ 29,806,067	\$ 1,560,817	\$ 31,366,884

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2025

Total governmental fund balance	\$ 25,630,632
Amounts reported for governmental activities in the statement of net position are different because:	
Capital and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,506,122
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.	2,761,653
Certain personal property tax receivables which are doubtful to collect, but were reported as deferred inflows of resources in the governmental funds.	(505,000)
Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds.	
Compensated absences	(983,401)
Bonds payable	(2,287,774)
Notes payable	(7,792,483)
Lease liability	(54,503)
Net pension liability	(4,188,805)
Deferred outflows of resources - pension	1,953,493
Deferred inflows of resources - pension	(783,458)
Other post-employment benefits ("OPEB") plans	(2,699,224)
Deferred outflows of resources - OPEB plans	395,553
Deferred inflows of resources - OPEB plans	(1,170,413)
Net position of governmental activities	\$ 50,782,392

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes			
Property taxes	\$ 1,882,480	\$ 370,035	\$ 2,252,515
Sales taxes	1,543,660	-	1,543,660
Business and occupational taxes	1,062,358	-	1,062,358
Franchise taxes	65,442	-	65,442
Consumer taxes	240,513	-	240,513
Communication taxes	110,332	-	110,332
Virginia personal property tax reduction	287,865	-	287,865
Vehicle taxes	390,394	-	390,394
Bank stock taxes	449,802	-	449,802
Meals and lodging taxes	2,949,238	-	2,949,238
Other general taxes	123,962	-	123,962
Payment in lieu of taxes	901,236	-	901,236
Permits, fees, and licenses	61,022	-	61,022
Fines and forfeitures	603,244	-	603,244
Unrestricted investment earnings	578,133	-	578,133
Charges for services	3,320	-	3,320
Miscellaneous	2,803	-	2,803
Recovered costs	-	16,868	16,868
Intergovernmental	3,580,925	-	3,580,925
Total revenues	14,836,729	386,903	15,223,632
Expenditures:			
General government:			
Legislative	311,075	-	311,075
Executive	2,557,782	-	2,557,782
Legal	429,434	-	429,434
Finance	1,059,250	-	1,059,250
Public safety	5,576,588	16,938	5,593,526
Planning, zoning, and community development	768,201	153,247	921,448
Public works and engineering	2,626,100	-	2,626,100
Nondepartmental	647,122	-	647,122
Capital outlay	2,389,211	573,939	2,963,150
Debt Service:			
Principal	384,644	-	384,644
Interest	258,033	-	258,033
Total expenditures	17,007,440	744,124	17,751,564
Excess (deficiency) of revenues over expenditures	(2,170,711)	(357,221)	(2,527,932)
Other financing sources (uses)			
Transfers in	3,330,000	-	3,330,000
Transfers out	(107,200)	(220,000)	(327,200)
Total other financing sources (uses)	3,222,800	(220,000)	3,002,800
Net change in fund balances	1,052,089	(577,221)	474,868
Total fund balance (deficit) - beginning, as previously reported	25,367,424	(82,498)	25,284,926
Change in accounting principle - GASB 101	(129,162)	-	(129,162)
Fund balances (deficit) - beginning, as restated	25,238,262	(82,498)	25,155,764
Fund balances (deficit) - ending	\$ 26,290,351	\$ (659,719)	\$ 25,630,632

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

Net change in fund balance - Governmental funds \$ 474,868

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

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

Current year additions of capital assets	2,781,821
Depreciation expenses recorded on Statement of Activities	(5,206,341)

Property tax revenue in the government-wide statement include economic resources that are not reported as revenues in the governmental funds.	122,442
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Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in:	
Compensated absences	(54,452)
Retainage payable	181,329
Bonds payable	82,422
Notes payable	302,222
Lease liability	22,340
Subscription liability	31,192
Net pension liability	(717,218)
Deferred outflows of resources - pension	1,114,102
Deferred inflows of resources - pension	(251,402)
Other post-employment benefits ("OPEB") plans	64,844
Deferred outflows of resources - OPEB plans	(35,513)
Deferred inflows of resources - OPEB plans	7,301

<u>Change in net position of governmental activities</u>	<u>\$ (1,080,043)</u>
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TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ -	\$ 2,200,770	\$ 1,028,783	\$ 1,811,027	\$ 5,040,580
Investments	13,634,896	8,462,456	8,457,598	-	30,554,950
Accounts receivable, net	1,934,049	656,868	740,038	201,576	3,532,531
Lease receivable	-	303,588	-	-	303,588
Other receivables, net	81,580	518	4,100	-	86,198
Inventories	2,724,105	434,577	434,577	-	3,593,259
Total current assets	18,374,630	12,058,777	10,665,096	2,012,603	43,111,106
Noncurrent assets:					
Restricted cash and cash equivalents					
Customer deposits	801,324	63,513	-	-	864,837
Capital assets, net	12,716,364	42,782,433	64,794,967	70,558	120,364,322
Total noncurrent assets	13,517,688	42,845,946	64,794,967	70,558	121,229,159
Total assets	31,892,318	54,904,723	75,460,063	2,083,161	164,340,265
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charge on refunded debt	-	207,784	-	-	207,784
Pension benefits	355,180	207,189	295,984	147,992	1,006,345
Other post-employment benefits	23,356	13,625	19,465	9,732	66,178
Total deferred outflow of resources	378,536	428,598	315,449	157,724	1,280,307
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	1,707,783	204,364	114,380	53,330	2,079,857
Compensated absences - current	86,342	32,422	32,422	27,446	178,632
General obligation bonds - current	-	943,015	1,968,880	-	2,911,895
Lease payable - current	-	-	58,703	-	58,703
Other post-employment benefits - current	18,480	11,088	15,312	7,920	52,800
Total current liabilities	1,812,605	1,190,889	2,189,697	88,696	5,281,887
Noncurrent liabilities:					
Customer deposits payable	801,324	63,513	-	-	864,837
Retainage payable	-	272,746	-	-	272,746
Due to other funds	7,261,921	2,870,052	97,762	-	10,229,735
Compensated absences	129,515	48,632	48,632	41,168	267,947
General obligation bonds payable	-	2,398,016	21,363,194	-	23,761,210
Lease payable	-	-	340,806	-	340,806
Net pension liability	761,601	444,268	634,668	317,334	2,157,871
Other post-employment benefits	330,453	192,455	275,463	137,466	935,837
Total noncurrent liabilities	9,284,814	6,289,682	22,760,525	495,968	38,830,989
Total liabilities	11,097,419	7,480,571	24,950,222	584,664	44,112,876
DEFERRED INFLOWS OF RESOURCES					
Pension benefits	142,446	83,093	118,705	59,356	403,600
Other post-employment benefits	138,279	80,662	115,231	57,616	391,788
Leases	-	294,645	-	-	294,645
Total deferred inflows of resources	280,725	458,400	233,936	116,972	1,090,033
NET POSITION:					
Net investment in capital assets	12,716,364	39,376,440	41,063,384	70,558	93,226,746
Unrestricted	8,176,346	8,017,910	9,527,970	1,468,691	27,190,917
Total net position	\$ 20,892,710	\$ 47,394,350	\$ 50,591,354	\$ 1,539,249	\$ 120,417,663

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Total
Operating revenues:					
Charges for sales and services					
Electric sales	\$ 20,041,187	\$ -	\$ -	\$ -	\$ 20,041,187
Water and sewer sales	-	5,385,298	6,883,500	-	12,268,798
Installation and connection charges	310,019	184,096	362,819	-	856,934
Refuse service fees	-	-	-	1,672,439	1,672,439
Other	12,578	27,603	39,550	-	79,731
Total operating revenues	20,363,784	5,596,997	7,285,869	1,672,439	34,919,089
Operating expenses:					
Personal service	1,817,334	1,467,308	1,164,687	846,651	5,295,980
Contractual service	117,938	344,170	336,012	8,050	806,170
Electric power	16,307,310	-	-	-	16,307,310
Depreciation	876,178	1,270,614	2,369,996	36,531	4,553,319
Other charges	176,503	865,964	1,770,709	493,434	3,306,610
Total operating expenses	19,295,263	3,948,056	5,641,404	1,384,666	30,269,389
Operating income	1,068,521	1,648,941	1,644,465	287,773	4,649,700
Nonoperating revenues (expenses):					
Gain (loss) on investments	141,541	98,573	98,573	-	338,687
Interest income (expense)	353,499	295,516	352,701	151,675	1,153,391
Capital grants	72,740	90,682	819,666	3,000	986,088
Gain on sale of capital assets	18,085	-	-	-	18,085
Lease income	-	89,682	-	-	89,682
Total nonoperating revenues (expenses)	585,865	574,453	1,270,940	154,675	2,585,933
Transfers in (out)	(1,852,800)	(480,000)	(575,000)	(95,000)	(3,002,800)
Change in net position	(198,414)	1,743,394	2,340,405	347,448	4,232,833
Total net position - beginning, as previously reported	21,131,993	45,680,189	48,280,182	1,202,524	116,294,888
Change in accounting principle - GASB 101	(40,869)	(29,233)	(29,233)	(10,723)	(110,058)
Total net position - beginning, as restated	21,091,124	45,650,956	48,250,949	1,191,801	116,184,830
Total net position - end of year	\$ 20,892,710	\$ 47,394,350	\$ 50,591,354	\$ 1,539,249	\$ 120,417,663

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds				
	Electric	Water	Sewer	Solid Waste Management	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 20,413,828	\$ 5,470,839	\$ 7,245,989	\$ 1,600,984	\$ 34,731,640
Cash paid to suppliers	(17,320,101)	(1,407,768)	(2,545,593)	(476,175)	(21,749,637)
Cash paid to employees	(1,837,126)	(1,387,340)	(1,228,622)	(853,060)	(5,306,148)
Net cash provided by operating activities	1,256,601	2,675,731	3,471,774	271,749	7,675,855
Cash flows from noncapital financing activities:					
Transfers to other funds	(1,852,800)	(480,000)	(575,000)	(95,000)	(3,002,800)
Net cash used in noncapital financing activities	(1,852,800)	(480,000)	(575,000)	(95,000)	(3,002,800)
Cash flows from capital and related financing activities:					
Principal paid on capital debt	-	(879,928)	(2,025,388)	-	(2,905,316)
Proceeds from disposal of capital assets	18,085	-	-	-	18,085
Purchase of capital assets	(1,063,216)	(2,729,760)	(3,648,614)	-	(7,441,590)
Grants received	72,740	180,364	126,500	3,000	382,604
Interest paid	-	(85,128)	-	-	(85,128)
Net cash (used in) provided by capital and related financing activities.	(972,391)	(3,514,452)	(5,547,502)	3,000	(10,031,345)
Cash flows from investing activities:					
Proceeds from the sale of investments	16,822,498	14,381,551	13,238,737	-	44,442,786
Purchases of investments	(15,568,516)	(13,378,105)	(13,378,105)	-	(42,324,726)
Interest and dividends received	353,499	380,644	352,701	151,675	1,238,519
Net cash provided by investing activities	1,607,481	1,384,090	213,333	151,675	3,356,579
Net increase (decrease) in cash and cash equivalents	38,891	65,369	(2,437,395)	331,424	(2,001,711)
Cash, cash equivalents, and restricted cash, beginning of year	762,433	2,198,914	3,466,178	1,479,603	7,907,128
Cash, cash equivalents, and restricted cash, end of year	\$ 801,324	\$ 2,264,283	\$ 1,028,783	\$ 1,811,027	\$ 5,905,417
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	1,068,521	1,648,941	1,644,465	287,773	4,649,700
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	876,178	1,270,614	2,369,996	36,531	4,553,319
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	(6,245)	(38,213)	(39,805)	(71,455)	(155,718)
Lease receivable	-	2,553	-	-	2,553
Other receivables	17,399	43,657	(75)	-	60,981
Inventories	(924,208)	(80,836)	(80,836)	-	(1,085,880)
Deferred pension	(202,563)	(118,162)	(168,804)	(84,403)	(573,932)
Deferred OPEB	8,801	5,133	7,333	3,667	24,934
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued expenses	205,858	(116,798)	(358,036)	25,309	(243,667)
Compensated absences	25,266	(26,382)	(26,382)	12,365	(15,133)
Customer deposits	38,890	(1,520)	-	-	37,370
Net pension liability	130,403	76,069	108,670	45,920	361,062
OPEB obligation	(18,801)	(10,967)	(15,668)	580	(44,856)
Deferred pension	45,710	26,664	38,091	19,049	129,514
Deferred OPEB	(8,608)	(5,022)	(7,175)	(3,587)	(24,392)
Net cash provided by operating activities	1,256,601	2,675,731	3,471,774	271,749	7,675,855
Supplemental Schedule of Noncash Investing and Financing Activities					
Capital assets acquired through accounts and retainage payable	\$ -	\$ 135,786	\$ 32,100	\$ -	\$ 167,886

See accompanying notes

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

The government reports the following major governmental funds:

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

Additionally, the government reports non-major government funds:

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

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

Investments for the government are reported at fair value. Investments consist of fixed (governmental) securities backed mutual funds, marketable certificates of deposit, and Virginia SNAP bond fund deposits. These investments operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

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

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

Collections of real and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended, in accordance with the standards established by the Auditor of Public Accounts of the Commonwealth of Virginia. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories and Other Assets

Inventory is valued at cost. Inventory in the general fund consists of expendable supplies held for consumption. Inventory in the enterprise funds consist of materials and parts held for internal use. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

Restricted Assets

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

Use of Estimates

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The town has an adopted capitalization policy of \$10,000.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

Type of Assets	Years
Buildings	35 - 50
Improvements other than buildings	10 - 50
Equipment and Vehicles	5 - 10
Infrastructure	30 - 50
Right-of-use asset - Leases	3 - 10
Right-of-use asset - SBITA	3

Compensated Absences

The Town’s employees earn paid time off (PTO) based on years of service. Employees may accumulate unused PTO up to maximum carryover limits established by the Town’s personnel policy. At the end of each calendar year, any unused PTO in excess of the maximum carryover limit is automatically converted to a Sick Leave Reserve (SLR) balance. The SLR has no maximum accumulation limit; however, payment upon separation is subject to a maximum payout based on years of service.

In accordance with GASB Statement No. 101, *Compensated Absences*, the Town recognizes a liability for leave that is attributable to services already rendered and that is more likely than not to be used for time off or otherwise paid. The liability is measured using the employees’ pay rates in effect at year-end and includes applicable salary-related payments. The current portion of this liability (expected to be paid within one year) is reported in the government-wide financial statements as a current liability, and the remainder as a noncurrent liability. Compensated absences are reported in the governmental fund financial statements for absences used within the 45 day time period under the current financial resources measurement focus.

Compensated absence balances were restated during the current year due to the change in accounting principle resulting from the implementation of GASB Statement No. 101. See Note 18 for additional information.

Long-term Obligations

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Obligations (Continued)

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

Deferred Outflows/Inflows of Resources

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

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance

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

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

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

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

Assigned Fund Balance - Balances intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. For additional details on assignments of fund balance see Note 17.

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

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

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

The General fund is the only governmental fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General fund encumbrances totaling approximately \$6,918,933 have been classified as assigned under fund balance.

Net Position

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

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

New Accounting Policies

The Town adopted Government Accounting Standards Board’s Statement No. 101, *Compensated Absences* on July 1, 2024. This statement’s objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The Town adopted Government Accounting Standards Board’s Statement No. 102, *Certain Risk Disclosures* on July 1, 2024. This statement’s objective is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. Management has not identified any concentrations or constraints that are expected to have a severe impact on the Town’s ability to provide services or meet its obligations within this near term.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the economic development fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several general fund budgetary appropriations throughout the year, totaling \$7,734,158.

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

Deficit Fund Balance

At June 30, 2025 Non major Governmental Funds which had a deficit fund balance are noted below:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Debt Service	<u>\$ 2,216,043</u>

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of June 30, 2025 the carrying amount of the Town’s deposits with bank and savings institutions was \$12,802,057 (includes petty cash of \$2,380) and the bank balance was \$13,179,002.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board.

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

Custodial credit risk. This is the risk that in the event of a bank failure, the Town’s deposits may not be returned to the Town. The Town requires deposits to comply with the Virginia Security for Public Deposits Act. As of June 30, 2025, none of the Town’s deposits are exposed to custodial credit risk.

Investments

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

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

3. Prime Commercial Paper - Commercial paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's and A-1 or higher by Standard & Poor's, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's.
4. Certificates of Deposit - Certificates of deposit maturing within one year and issued by domestic banks rated P-1 by Moody's and A-1 by Standard & Poor's.
5. Bankers' Acceptances - Bankers' acceptances maturing within 180 days rated P-1 or higher by Moody's and A-1 or higher by Standard & Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA or higher by Moody's and Standard & Poor's.
6. Commonwealth of Virginia and Virginia Local Government Obligations - General obligations, insured obligations, or revenue bonds secured by debt service reserve funds not subject to annual appropriation rated AA or higher by Moody's or Standard & Poor's.
7. Repurchase Agreements - Repurchase agreements collateralized by securities provided for investment herein, provided that the counterparty is rated A or better by Moody's and Standard & Poor's and the collateral is held by an independent third party.
8. Open-End Investment Funds - Open-end investment funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein.
9. Virginia Local Government Investment Pool (LGIP) - The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares. i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.
10. Virginia State Non-Arbitrage Program (SNAP) - Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Section 2.2-4700 through 2.2-4705 of the Code of Virginia, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

11. Federally Insured Certificates of Deposit (CDARS) - Federally insured certificates of deposit issued through the Certificates of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that:
- a. The funds are initially invested by the Town through a financial institution that is participating in CDARS and that is located and doing business in Virginia,
 - b. The financial institution in Virginia receives reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested by the Town, and
 - c. Each such certificate of deposit is issued in an amount that is eligible for full FDIC insurance coverage for up to a maximum total of \$50 million in qualified investments held.

Credit risk - defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2025, all of the Town’s investments were invested in “AA” or better rated securities. All credit ratings presented in this paragraph are Standard & Poor’s ratings.

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

Deposits and Investments

As of June 30, 2025, the government had the following investments:

Investment Type	Fair Value	Maturity	
		1 Year	Over 1 Year
Certificates of deposit	\$ 4,626,908	\$ 4,251,813	\$ 375,095
Fixed income securities	19,302,797	16,590,407	2,712,390
Money market cash accounts	15,082,843	15,082,843	-
Total	\$ 39,012,548	\$ 35,925,063	\$ 3,087,485

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

	Unrestricted	Restricted	Total
Petty cash	\$ 2,380	\$ -	\$ 2,380
Bank deposits	8,305,243	864,837	9,170,080
Local government investment pool (LGIP)	3,629,597	-	3,629,597
Total cash and cash equivalents	\$ 11,937,220	\$ 864,837	\$ 12,802,057

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments

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

The Town has the following recurring fair value measurements as of June 30, 2025:

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

NOTE 4 – BILLED AND UNBILLED RECEIVABLES

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

Description	General	Electric	Water	Sewer
Receivables:				
Taxes	\$ 2,627,392	\$ -	\$ -	\$ -
Accounts	408,706	1,400,303	310,437	430,695
Intergovernmental	557,625	-	-	-
Unbilled	-	843,327	393,582	374,615
Leases	-	-	303,588	-
Other	-	119,917	518	7,126
Less: allowance	(90,978)	(347,918)	(47,151)	(68,298)
Net receivables	\$ 3,502,745	\$ 2,015,629	\$ 960,974	\$ 744,138

(Continued) Description	Solid Waste Management	Nonmajor	Total
Receivables:			
Taxes	\$ -	\$ -	\$ 2,627,392
Accounts	156,508	-	2,706,649
Intergovernmental	-	-	557,625
Unbilled	79,239	-	1,690,763
Leases	-	-	303,588
Other	-	-	127,561
Less: allowance	(34,171)	-	(588,516)
Net receivables	\$ 201,576	\$ -	7,425,062

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 4 – BILLED AND UNBILLED RECEIVABLES (Continued)

Proprietary fund types estimate and record utility services rendered but not yet billed at June 30, 2025, are determined by reviewing the Town’s utility billing rendered prior to year-end and estimated the unbilled service to year-end. June 30, 2025, unbilled service recorded was \$1,690,763

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

Fund/Type	Unavailable
General Fund / Property Taxes	\$ 2,761,653
Special Revenue Fund / Property Taxes	-
	<u>\$ 2,761,653</u>

At June 30, 2025 amounts due from other governments were as follows:

Description/Payer	Amount
Commonwealth of Virginia	
Personal Property Tax Relief Act	\$ 287,863
Warren County, Virginia - Sales Tax	269,762
	<u>\$ 557,625</u>

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

Governmental Activities	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,304,316	\$ -	\$ -	\$ 1,304,316
Construction in progress	2,247,306	895,431	(2,426,805)	715,932
Total capital assets, not depreciated	3,551,622	895,431	(2,426,805)	2,020,248
Capital assets being depreciated:				
Buildings and improvements	26,032,235	1,252,022	2,426,805	29,711,062
Vehicles	2,453,907	443,974	(109,355)	2,788,526
Equipment	5,487,451	190,394	-	5,677,845
Infrastructure	124,617,285	-	-	124,617,285
Right-of-use asset - Leases	87,234	-	-	87,234
Right-of-use asset - SBITA	90,024	-	(90,024)	-
Total capital assets, depreciated	158,768,136	1,886,390	2,227,426	162,881,952
Less accumulated depreciation for:				
Buildings and improvements	(5,369,735)	(669,898)	-	(6,039,633)
Vehicles	(2,304,182)	(138,706)	109,355	(2,333,533)
Equipment	(4,712,716)	(257,363)	-	(4,970,079)
Infrastructure	(106,931,612)	(4,085,813)	-	(111,017,425)
Right-of-use asset - Leases	(10,855)	(24,553)	-	(35,408)
Right-of-use asset - SBITA	(60,016)	(30,008)	90,024	-
Total accumulated depreciation	(119,389,116)	(5,206,341)	199,379	(124,396,078)
Net capital assets being depreciated	39,379,020	(3,319,951)	2,426,805	38,485,874
Governmental capital assets, net	\$ 42,930,642	\$ (2,424,520)	\$ -	\$ 40,506,122

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

Activity	Depreciation
Governmental activities:	
General government	\$ 208,331
Public safety	497,597
Planning, zoning, and community development	27,016
Public works	387,584
Infrastructure depreciation	4,085,813
Total depreciation expense - governmental activities	\$ 5,206,341

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 5 – CAPITAL ASSETS (Continued)

Business-Type Activities	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,461,822	\$ -	\$ -	\$ 1,461,822
Intangible asset - Easement	-	50,000	-	50,000
Construction in progress	22,738,200	4,891,482	(9,463,498)	18,166,184
Total capital assets, not depreciated	24,200,022	4,941,482	(9,463,498)	19,678,006
Capital assets being depreciated				
Buildings and improvements	96,380,948	685,919	8,409,528	105,476,395
Utility distribution systems	59,033,686	-	-	59,033,686
Vehicles	3,161,490	227,771	(107,426)	3,281,835
Equipment	8,429,064	1,082,396	1,053,970	10,565,430
Right-of-use asset - Leases	456,018	-	-	456,018
Total capital assets, depreciated	167,461,206	1,996,086	9,356,072	178,813,364
Less accumulated depreciation for				
Buildings and improvements	(24,007,554)	(2,348,037)	-	(26,355,591)
Utility distribution systems	(40,383,741)	(1,180,674)	-	(41,564,415)
Vehicles	(2,970,732)	(125,130)	107,426	(2,988,436)
Equipment	(6,319,128)	(834,333)	-	(7,153,461)
Right-of-use asset - Leases	-	(65,145)	-	(65,145.00)
Total accumulated depreciation	(73,681,155)	(4,553,319)	107,426	(78,127,048)
Net capital assets being depreciated	93,780,051	(2,557,233)	9,463,498	100,686,316
Business-type capital assets, net	\$ 117,980,073	\$ 2,384,249	\$ -	\$ 120,364,322

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

Activity	Depreciation
Business-type activities:	
Electric	\$ 876,178
Water	1,270,614
Sewer	2,369,996
Solid waste management	36,531
Total depreciation expense - business-type activities	\$ 4,553,319

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 6 – INTERFUND TRANSACTIONS

Interfund receivables and payables represent payments of one fund on behalf of another fund with the expectation of repayment. The composition of interfund balances is as follows:

	Transfers In	Transfers Out	Net Transfers In (Out)
<u>Governmental funds:</u>			
General fund	\$ 3,901,610	\$ 678,810	\$ 3,222,800
Community/Neighborhood	-	220,000	(220,000)
Total governmental funds	3,901,610	898,810	3,002,800
<u>Proprietary funds:</u>			
Electric	107,200	1,960,000	(1,852,800)
Water	-	480,000	(480,000)
Sewer	-	575,000	(575,000)
Solid waste management	-	95,000	(95,000)
Total proprietary funds	107,200	3,110,000	(3,002,800)
Total	\$ 4,008,810	\$ 4,008,810	\$ -

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. Transfers were made between the following funds to help defray costs incurred in those respective funds. The composition of interfund transfers is as follows:

	Due From Other Funds	Due To Other Funds	Net Due (To) From
<u>Governmental funds:</u>			
General fund	\$ 12,450,271	\$ -	\$ 12,450,271
Debt service	-	2,220,536	(2,220,536)
Total governmental funds	12,450,271	2,220,536	10,229,735
<u>Proprietary funds:</u>			
Electric	-	7,261,921	(7,261,921)
Water	-	2,870,052	(2,870,052)
Sewer	-	97,762	(97,762)
Total proprietary funds	-	10,229,735	(10,229,735)
Total	\$ 12,450,271	\$ 12,450,271	\$ -

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG TERM LIABILITIES

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

General obligation bonds and other debt outstanding at June 30, 2025 are as follows:

Description	Governmental Activities Amount	Business-Type Activities Amount
<u>General Obligation Bonds:</u>		
\$6,110,000, 2014 series General Obligation Bonds, issued May 21, 2014 due in increasing annual maturities starting with \$15,000 in 2014 and increasing to \$740,000 in 2026, with interest at 3.13% to 4.83%.	\$ -	\$ 1,450,000
\$2,835,000, 2014 series General Obligation Bonds, issued May 21, 2014 due in increasing annual maturities starting with \$95,000 in 2015 and increasing to \$200,000 in 2034, with interest at 3.13% to 4.84%.	-	1,705,000
\$39,377,600 2014C series General Obligation Bonds, issued December 17, 2014, no state interest payable, 2015 - 2016 draws \$16,944,341, due in semi-annual payments of \$984,440 starting March, 2018.	-	23,332,074
\$2,450,000 2023 Series General Obligation Bonds, issued April 6, 2023, due increasing maturities annual maturities starting with \$79,804 in 2024 and increasing to \$178,679 in 2043, with interest at 4.345%.	2,287,774	-
Total bonded debt	2,287,774	26,487,074
<u>Notes Payable:</u>		
\$235,284 loan dated April 27, 2017 with Truist Bank, with semi annual payments of \$13,330 and annual interest rate of 2.46%, due April 27, 2027.	51,672	-
\$550,000 equipment financing with U.S. Bancorp Government Leasing and Finance, Inc., with semi annual payments of \$32,653 and annual interest rate of 3.39%, due November 8, 2028.	213,832	-
\$8,483,001 loan dated March 11, 2021 with United Bank, with monthly payments of \$30,806 and annual interest rate of 1.87%, due March 11, 2051.	7,526,979	-
Total notes payable	7,792,483	-
Total long-term debt	\$ 10,080,257	\$ 26,487,074

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG TERM LIABILITIES (Continued)

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

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

Year ending June 30,	Bonds Payable					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 86,043	\$ 98,479	\$ 184,522	\$ 2,818,880	\$ 21,979	\$ 2,840,859
2027	89,822	94,700	184,522	2,858,880	(20,009)	2,838,871
2028	93,767	90,755	184,522	2,123,880	48,003	2,171,883
2029	97,886	86,636	184,522	2,128,880	41,981	2,170,861
2030	102,185	82,337	184,522	2,133,880	36,872	2,170,752
2031-2035	582,324	340,288	922,612	10,779,400	90,063	10,869,463
2036-2040	721,946	200,665	922,611	3,643,274		3,643,274
2041-2043	513,801	39,768	553,569	-	-	-
Total	\$ 2,287,774	\$ 1,033,628	\$ 3,321,402	\$ 26,487,074	\$ 218,889	\$ 26,705,963

Year ending June 30,	Notes Payable					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 314,931	\$ 146,734	\$ 461,665	\$ -	\$ -	\$ -
2027	321,919	139,746	461,665	-	-	-
2028	302,223	132,757	434,980	-	-	-
2029	276,230	126,098	402,328	-	-	-
2030	248,726	120,949	369,675	-	-	-
2031-2035	1,315,792	532,582	1,848,374	-	-	-
2036-2040	1,444,649	403,725	1,848,374	-	-	-
2041-2045	1,586,124	262,250	1,848,374	-	-	-
2046-2050	1,741,455	106,919	1,848,374	-	-	-
2051-2052	240,434	1,719	242,153	-	-	-
Total	\$ 7,792,483	\$ 1,973,479	\$ 9,765,962	\$ -	\$ -	\$ -

The legal debt limit mandated by the Commonwealth of Virginia is \$213,139,721.

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2025 was as follows:

	June 30, 2024	Additions	Retirements	June 30, 2025	One Year
<u>Governmental activities:</u>					
Compensated absences*	\$ 1,058,111	\$ 46,803	\$ -	\$ 1,104,914	\$ 441,966
General obligation bonds	2,370,196	-	(82,422)	2,287,774	86,043
Notes payable	8,094,705	-	(302,222)	7,792,483	314,931
Lease liability	76,843	-	(22,340)	54,503	24,629
Subscription liability	31,192	-	(31,192)	-	-
Net pension liability	3,471,587	717,218	-	4,188,805	-
Other post-employment benefits**	2,764,068	-	(64,844)	2,699,224	105,600
Total - government activities	\$ 17,866,702	\$ 764,021	\$ (503,020)	\$ 18,127,703	\$ 973,169

	June 30, 2024	Additions	Retirements	June 30, 2025	One Year
<u>Business-type activities:</u>					
Compensated absences*	\$ 461,713	\$ -	\$ (15,134)	\$ 446,579	\$ 178,632
Bonds payable:					
General obligation bonds	29,265,953	-	(2,778,879)	26,487,074	2,818,880
Unamortized premium	279,046	-	(93,015)	186,031	93,015
Lease liability	456,018	-	(56,509)	399,509	58,703
Net pension liability	1,788,394	369,477	-	2,157,871	-
Other post-employment benefits**	1,041,907	-	(53,270)	988,637	52,800
Total - business-type activities	\$ 33,293,031	\$ 369,477	\$ (2,996,807)	\$ 30,665,701	\$ 3,202,030

*The change in compensated absences liability is presented as a net change. Certain amounts are shown as restated. See Note 18.

**Other post-employment benefits liquidated within one year is prorated based on actual payments for benefit.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

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

Construction Commitments – The Town entered into several construction contracts during the fiscal year for waterline redundancy improvements. As of June 30, 2025, the Town has outstanding contracts for these projects totaling \$1,681,711 that will be financed from the respective fund. This project is expected to be completed in fiscal year 2026.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

Plan Description

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

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

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

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

Contributions

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

Consistent with the phased-in funding that had been provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater.

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

Valuation Date: Actuarially determined contribution amounts for fiscal year 2024 are calculated based upon the results of the June 30, 2021 actuarial valuation. Interim adjustments to the calculated rate are made if the employer changes the level of benefits provided under the plan between rate setting valuations.

Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2024:

Actuarial cost method	Entry-age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	Up to 22 years (varies by employer).
Asset valuation report	5-year smoothed market.
Inflation	2.50%.
Salary increases	Non-hazardous duty – 3.50% to 5.35% Enhanced hazardous duty – 3.50% to 4.75%.
Investment rate of return	6.75%, net of investment expenses.
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	A version of the Pub-2010 Mortality Tables (amount-weighted) with fully generational mortality improvements projected using 75% of the MP-2020 projection scale.
Other Information:	
Notes	Total Pension Liability (TPL) calculations are based on the assumptions and methods found in the 2023 Appendix on the VRS website.

Discount Rate

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.97% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting single discount rate is 6.75%.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The long-term target allocations are based on the strategic Asset Allocation Implementation Schedule and Allowable Ranges documents, which was approved by the VRS Board of Trustees on June 15, 2023. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
MAPS - Multi-Asset Public Strategies	1.00%	8.00%	0.08%
PIP - Private Investment Partnership	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		* Expected arithmetic normal return	7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.5% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

On June 15, 2023, the VRS board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity Analysis

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Total Pension Liability	\$ 12,663,691	\$ 6,346,676	\$ 1,217,259

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 47,267,318	\$ 42,007,337	\$ 5,259,981
Changes for the year:			
Service cost	996,186	-	996,186
Interest	3,160,464	-	3,160,464
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,645,288	-	2,645,288
Contributions - employer	-	1,268,671	(1,268,671)
Contributions - employee	-	432,108	(432,108)
Net investment income	-	4,041,142	(4,041,142)
Benefit payments, including refunds of employee contributions	(2,883,617)	(2,883,617)	-
Administrative expenses	-	(27,487)	27,487
Other changes	-	809	(809)
Net changes	3,918,321	\$ 2,831,626	1,086,695
Balances at June 30, 2024	\$ 51,185,639	\$ 44,838,963	\$ 6,346,676

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense

For the year ended June 30, 2025, the Town recognized pension expense of the following:

Service Cost	\$	996,186
Interest on the total pension liability		3,160,464
Current period benefit changes		-
Differences between expected and actual experience		1,111,466
Current period change in assumptions		-
Member contributions		(432,108)
Projected earnings on plan investments		(2,794,674)
Differences between projected and actual earnings		(249,294)
Pension plan administrative expense		27,487
Other		(808)
Recognition of prior deferred outflows		913,562
Recognition of prior deferred (inflows)		(1,526,203)
<u>Pension expense (income)</u>	<u>\$</u>	<u>1,206,078</u>

Deferred Outflows and Inflows of Resources

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,535,017	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings	-	1,187,058
<u>Employer contributions subsequent to the measurement date</u>	<u>1,424,821</u>	<u>-</u>
<u>Total</u>	<u>\$ 2,959,838</u>	<u>\$ 1,187,058</u>

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Deferred Outflows and Inflows of Resources (Continued)

The \$1,424,821 of deferred outflows of resources resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts above reported as deferred outflows/inflows of resources will be recognized in pension expense as follows:

Year ended June 30,	Amortization
2026	\$ 66,073
2027	759,062
2028	(227,884)
2029	(249,292)
2030	-
Thereafter	-
Total	\$ 347,959

Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2024-annual-report.pdf or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS: LOCAL PLAN

Plan Description - The Town participates in the Retiree Healthcare program which is a single employer benefit plan. The plan extends the benefits to employees hired before July 1, 2015. This plan is closed to new entrants. The policy states that the Town will provide healthcare insurance premium cost benefits for eligible retirees up to 25% of actual premium costs. The plan is provided through the Town’s group health insurance plan which covers both retirees and active employees.

The premium payment cost benefits are earned at 1% per year of employment, coverage is extended from retirement to age 65 and the benefit is earned only upon retirement from Town employment.

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

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

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Employees Covered by Benefit Terms

As of the July 1, 2023, actuarial valuation date, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Retirees	10
Retiree spouses	5
Total inactive employees	<u>15</u>
Active plan members	<u>156</u>
Total covered employees	<u>171</u>

Net OPEB Liability

The Town’s total net OPEB liability of \$2,504,574 was measured as of June 30, 2025 and was determined by an actuarial valuation performed as of July 1, 2023.

Actuarial Assumptions and Other Inputs

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

<u>Assumption</u>	<u>Description</u>
Valuation Date:	July 1, 2023
Measurement Date:	June 30, 2025
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.50%
Healthcare Trend Rate:	Please see 07/01/2023 GASB 75 report
Salary increases including inflation	Please see 07/01/2023 GASB 75 report

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 2,650,909	\$ -	\$ 2,650,909
Changes for the year:			
Service cost	154,706	-	154,706
Interest	107,227	-	107,227
Effect of economic/demographic losses	-	-	-
Effect of assumption changes or inputs	(252,350)	-	(252,350)
Benefit payments	(155,918)	-	(155,918)
Net changes	(146,335)	-	(146,335)
Balances at June 30, 2025	\$ 2,504,574	\$ -	\$ 2,504,574

Sensitivity Analysis

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

	1.00% Decrease 4.20%	Current Discount 5.20%	1.00% Increase 6.20%
Total OPEB Liability	\$ 2,700,849	\$ 2,504,574	\$ 2,325,830

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

	1.00% Decrease	Current Trend Rate	1.00% Increase
Total OPEB Liability	\$ 2,217,702	\$ 2,504,574	\$ 2,838,540

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Discount Rate

The discount rate used to measure the OPEB liability is 5.20% for the year ended June 30, 2025. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

OPEB Expense

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

Service cost	\$	154,706
Interest on total OPEB liability		107,227
Effect on plan changes		-
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses		(184,426)
Recognition of assumption changes or inputs		(104,068)
<hr/>		
OPEB Expense / (Income)	\$	(26,561)
<hr/>		

Deferred Outflows of Resources and Deferred Inflows of Resources

The deferred outflows and inflows are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 588,341
Change in assumptions	61,859	461,863
Total	\$ 61,859	\$ 1,050,204

Year ended June 30,	Amortization
2026	\$ (291,321)
2027	(237,571)
2028	(202,115)
2029	(158,521)
2030	(98,817)
Thereafter	-
Total	\$ (988,345)

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

The Virginia Retirement System (VRS) Line of Duty Act Program (“LODA”) is a multiple-employer, cost-sharing plan. The LODA Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB; LODA OPEB expense; information about the fiduciary net position of the LODA Program; and the additions to/deductions from the LODA Program’s fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

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

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

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

Death - The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
- \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Plan Description (Continued)

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

- The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by § 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the LODA Program for the year ended June 30, 2024, was \$830.01 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Assumption	Description
Inflation	2.50%
Salary increases, including inflation:	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost rate assumption:	
Under age 65	7.25% - 4.25%
Ages 65 and older	6.50% - 4.25%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2034
Age 65 and older	Fiscal year ended 2034
Investment rate of return	3.97%, including inflation *

**Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.*

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers with Public Safety Employees:

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

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

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

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

Description	LODA
Total LODA OPEB liability	\$ 398,395
Plan fiduciary net position	4,841
<u>Employers' net OPEB liability (asset)</u>	<u>\$ 393,554</u>

Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.22%
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At June 30, 2024, the measurement date for fiscal year ended June 30, 2025, the entity reported the following:

Total Net LODA liability - Proportionate Share	\$ 780,104
Total Net LODA liability - for State	\$ 393,554,758
<u>Proportionate share as a %</u>	<u>0.1982%</u>

<u>LODA expense</u>	<u>\$ 96,172</u>
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The total LODA OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA Program OPEB investments was set at 3.97% for this valuation. Since LODA Program is funded on a current-disbursement basis, it is not able to use the System’s Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 3.86% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Sensitivity Analysis

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the discount rate of 3.97%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1.00% Decrease 2.97%	Current Discount 3.97%	1.00% Increase 4.97%
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 864,806	\$ 780,104	\$ 707,270

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the Healthcare Cost Trend rate of 7.25% decreasing to 4.25%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a Healthcare Cost Trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate.

	1.00% Decrease (6.25% decreasing to 3.25%)	Health Care Trend Rates (7.25% decreasing to 4.25%)	1.00% Increase (8.25% decrease to 5.25%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 664,545	\$ 780,104	\$ 921,897

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,143	\$ 190,556
Net difference between projected and actual earnings	-	2,579
Change in assumptions	143,805	157,117
Changes in proportion	65,692	59,631
Employer contributions subsequent to the measurement date	30,450	-
Total	\$ 267,090	\$ 409,883

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

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

The \$30,450 of deferred outflows of resources resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense as follows:

Year ended June 30,	Amortization
2026	\$ (15,288)
2027	(14,055)
2028	(20,708)
2029	(21,767)
2030	(29,194)
Thereafter	(72,231)
Total	\$ (173,243)

Additional financial information supporting the preparation of the LODA Program OPEB Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report is publicly available through the About VRS link on the VRS website at varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS: GROUP LIFE INSURANCE

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

Plan Description

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Plan Description (Continued)

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

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

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

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

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

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

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

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) - For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA is \$9,532 as of June 30, 2025.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**TOWN OF FRONT ROYAL, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Description	GLI
Total GLI OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' net OPEB liability (asset)	<u>\$ 1,115,922</u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	<u>73.41%</u>
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At June 30, 2024, the measurement date for fiscal year ended June 30, 2025, entity reported the following:

Total Net GLI liability - Proportionate Share	\$ 403,183
Total Net GLI liability - for State	\$ 1,115,922,056
Proportionate share as a %	<u>0.0361%</u>
GLI expense	<u>\$ 378</u>

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by employers for the VRS GLI OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined rate. From July 1, 2024, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
MAPS - Multi-Asset Public Strategies	1.00%	8.00%	0.08%
PIP - Private Investment Partnership	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
		** Expected arithmetic normal return	<u>7.07%</u>

* The above allocation provides a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

** On July 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Sensitivity Analysis

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

	1.00% Decrease 5.75%	Current Discount 6.75%	1.00% Increase 7.75%
Covered employer's proportionate share of the total GLI net OPEB liability	\$ 627,001	\$ 403,183	\$ 222,367

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,591	\$ 9,848
Net difference between projected and actual earnings	-	33,984
Change in assumptions	2,298	19,981
Change in proportion	19,667	38,301
Employer contributions subsequent to the measurement date	47,226	-
Total	\$ 132,782	\$ 102,114

The \$47,226 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to the GLI OPEB will be recognized in the GLI OPEB expense as follows:

Year ended June 30,	Amortization
2026	\$ (27,413)
2027	1,884
2028	(4,455)
2029	4,177
2030	9,249
Thereafter	-
Total	\$ (16,558)

Additional financial information supporting the preparation of the VRS GLI Program OPEB Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report is publicly available through the About VRS link on the VRS website at varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – SUMMARY OF PENSION AND OTHER POSTEMPLOYMENT BENEFITS ELEMENTS

	Governmental Activities	Business-type Activities	Total Primary Government
Deferred outflows of resources - Pension and OPEB			
Differences between expected and actual experience			
Pension	\$ 1,013,111	\$ 521,906	\$ 1,535,017
LODA	27,143	-	27,143
GLI	41,970	21,621	63,591
Change in assumptions			
Local plan - Health insurance	40,827	21,032	61,859
LODA	143,805	-	143,805
GLI	1,517	781	2,298
Change in proportion			
LODA	65,692	-	65,692
GLI	12,980	6,687	19,667
Employer contributions subsequent to the measurement date			
Pension	940,382	484,439	1,424,821
LODA	30,450	-	30,450
GLI	31,169	16,057	47,226
Total deferred outflows or resources - Pension and OPEB	\$ 2,349,046	\$ 1,072,523	\$ 3,421,569
Net liability			
Pension	\$ 4,188,805	\$ 2,157,871	\$ 6,346,676
Local plan - Health insurance	1,653,019	851,555	2,504,574
LODA	780,104	-	780,104
GLI	266,101	137,082	403,183
Total net liability - Pension and OPEB	\$ 6,888,029	\$ 3,146,508	\$ 10,034,537
Deferred Inflows of resources - Pension and OPEB			
Differences between expected and actual experience			
Pension	\$ -	\$ -	\$ -
Local plan - Health insurance	388,305	200,036	588,341
LODA	190,556	-	190,556
GLI	6,500	3,348	9,848
Net difference between projected and actual earnings			
Pension	783,458	403,600	1,187,058
LODA	2,579	-	2,579
GLI	22,429	11,555	33,984
Changes in assumption			
Local plan - Health insurance	304,830	157,033	461,863
LODA	157,117	-	157,117
GLI	13,187	6,794	19,981
Changes in proportion			
LODA	59,631	-	59,631
GLI	25,279	13,022	38,301
Total deferred Inflows or resources - Pension and OPEB	\$ 1,953,871	\$ 795,388	\$ 2,749,259

Total OPEB benefit for all of the Town's OPEB plans is \$89,361 for the year ended June 30, 2025.

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – DEFERRED COMPENSATION PLAN

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

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

NOTE 15 – RISK MANAGEMENT

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

VRSA - The Town has workers' compensation coverage with the Virginia Risk Sharing Association (VRSA). During the fiscal year 2025 the Town paid premiums of approximately \$208,257 to VRSA. The town also has general and excess liability, automobile, property, boiler, and machinery, law enforcement liability, public officials, legal liability, and commercial crime insurance with the VRSA. During the fiscal year 2025 the Town paid contributions of approximately \$412,814 to the VRSA.

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

Surety Bonds

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – LEASES

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

Town as Lessor

The Town’s Water Enterprise Fund has entered into various lease agreements to lease land near Town water towers for antenna sites. The Town received monthly payments ranging from \$3,025 to \$3,967 during the year. The Town uses its incremental borrowing rate to determine the initial value of the lease receivable and corresponding deferred inflow. The Town has options to extend which typically are in five-year renewal increments up to 20 years. The Town has considered the probability of exercising the lease renewal options in the initial calculation of the lease.

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

Business Type Activities	Balance June 30, 2024	Additions	Retirements & Repayments	Balance June 30, 2025
Water Enterprise Fund - Lease Receivable	\$ 173,506	216,150	(86,068)	\$ 303,588
Water Enterprise Fund - Deferred Inflows	\$ 162,010	216,150	(83,515)	\$ 294,645

For the year ended June 30, 2025, rental and interest income associated with business-type activity lease receivables were \$83,514 and \$6,653, respectively.

Town as Lessee

The Town’s Sewer Enterprise Fund entered into a lease agreement to lease a flusher truck to use in their daily operations. Lease payments are \$38,900 payable semi-annually until fiscal year 2031. The Town used the interest rate as stated in the lease agreement to determine the initial value of the right-of-use asset and corresponding lease liability. There are no options to extend.

The Town’s General Fund entered into lease agreements to lease computer hardware and a postage machine. Lease payments are \$2,263 payable quarterly and \$1,472 payable monthly, respectively. The Town uses the explicit interest rate stated in the lease and its incremental borrowing rate, respectively, to determine the initial value of the right-of-use asset and corresponding lease liability. There are no options to extend.

The future minimum lease payments are approximately as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 24,629	\$ 2,091	\$ 26,720	\$ 58,703	\$ 19,097	\$ 77,800
2027	16,868	1,019	17,887	61,651	16,149	77,800
2028	8,562	491	9,053	64,747	13,053	77,800
2029	4,444	83	4,527	67,998	9,802	77,800
2030	-	-	-	71,412	6,387	77,799
Thereafter	-	-	-	74,998	2,801	77,799
Total	\$ 54,503	\$ 3,684	\$ 58,187	\$ 399,509	\$ 67,289	\$ 466,798

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – LEASES (Continued)

For the year ended June 30, 2025, interest expense related to lease liabilities for governmental and business-type activities was \$3,170 and \$21,290, respectively.

NOTE 17 – ASSIGNED FUND BALANCE

Assignments of fund balance are intended to be used for specific purposes but are not legally restricted. The assignments for the year ended June 30, 2025 are summarized as follows:

Assigned for:

General government	\$	462,178
Public safety		182,280
Planning, zoning, and community development		265,465
Public works and engineering		5,871,569
Other purposes		137,441
Total	\$	6,918,933

NOTE 18 – PRIOR PERIOD RESTATEMENT

The restatement affecting the balances noted on the statement of net position as of June 30, 2024, is noted below:

The Town adopted GASB Statement No. 101, Compensated Absences, effective July 1, 2024. The standard was applied retrospectively, and prior-year balances were restated to conform to the new guidance.

	As Previously Reported	Change in Accounting Principle	As Restated
<u>Business-type activities:</u>			
Compensated absences	\$ 351,655	\$ 110,058	\$ 461,713
Net position	116,294,888	(110,058)	116,184,830
<u>Governmental Activities:</u>			
Compensated absences	\$ 916,868	\$ 141,243	\$ 1,058,111
Net position	52,003,678	(141,243)	51,862,435
<u>Governmental Funds:</u>			
Compensated absences	\$ -	\$ 129,162	\$ 129,162
Fund balance	25,284,926	(129,162)	25,155,764

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 19 – SUBSCRIPTION BASED INFORMATION-TECHNOLOGY ARRANGEMENTS

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

The Town entered into an agreement to use web software and licensing services. The Town is required to make annual fixed payments of \$32,440. The Town uses its incremental borrowing rate to determine the initial value of the right-of-use asset and corresponding subscription liability. The Town has no extension or termination options present in the agreement. The agreement expired in 2025 and was not subsequently renewed.

For the year ended June 30, 2025, interest expense related to the subscription liability was \$1,248.



REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FRONT ROYAL, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 2,010,885	\$ 2,010,885	\$ 1,882,480	\$ (128,405)
Other local taxes				
Sales tax	1,476,745	1,476,745	1,543,660	66,915
Business and occupational taxes	981,025	981,025	1,062,358	81,333
Franchise taxes	74,660	74,660	65,442	(9,218)
Consumer taxes	234,300	234,300	240,513	6,213
Communication taxes	105,790	105,790	110,332	4,542
Virginia personal property tax reduction	287,865	287,865	287,865	-
Vehicle taxes	384,185	384,185	390,394	6,209
Bank stock taxes	380,365	380,365	449,802	69,437
Meal and lodging taxes	2,935,910	2,935,910	2,949,238	13,328
Other general taxes	113,455	113,455	123,962	10,507
Payments in lieu of taxes	1,016,595	1,016,595	901,236	(115,359)
Permits, fees, and licenses	49,195	49,195	61,022	11,827
Fines and forfeitures	309,205	578,685	603,244	24,559
Revenues from use of money & property	350,000	350,000	578,133	228,133
Charges for services	50	50	3,320	3,270
Miscellaneous	40,445	40,445	2,803	(37,642)
Intergovernmental	3,333,355	4,366,308	3,580,925	(785,383)
Total revenues	14,084,030	15,386,463	14,836,729	(549,734)
Expenditures:				
General government				
Legislative	315,385	311,285	311,075	210
Executive	2,545,760	3,613,412	2,557,782	1,055,630
Legal	477,255	543,800	429,434	114,366
Finance	1,065,575	1,026,215	1,059,250	(33,035)
Total general government	4,403,975	5,494,712	4,357,541	1,137,171
Public safety	6,416,350	6,656,404	5,576,588	1,079,816
Planning, zoning, and community development	753,405	1,183,810	768,201	415,609
Public works and engineering	4,399,600	10,282,262	2,626,100	7,656,162
Non-departmental	666,500	649,600	647,122	2,478
Capital outlay	-	-	2,389,211	(2,389,211)
Debt service				
Principal	326,185	318,185	384,644	(66,459)
Interest	228,015	236,015	258,033	(22,018)
Total expenditures	17,194,030	24,820,988	17,007,440	7,813,548
Other financing sources (uses):				
Transfers in	3,110,000	3,330,000	3,330,000	-
Transfers out	-	(107,200)	(107,200)	-
Fund balance re-appropriated	-	6,211,725	-	(6,211,725)
Total other financing sources (uses)	3,110,000	9,434,525	3,222,800	(6,211,725)
Net change in fund balances	\$ -	\$ -	\$ 1,052,089	\$ 1,052,089

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
Notes to Required Supplementary Information
For The Year Ended June 30, 2025

Budgetary Accounting

Required Supplementary Information provides budget-to-actual comparisons for the General Fund. Budgets are adopted using the same method of accounting as that used for reporting purposes, i.e. according to generally accepted accounting principles as used in the United States of America (GAAP).

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For The Year Ended June 30, 2025

	Plan Year		
	2024	2023	2022
<u>Total pension liability</u>			
Service cost	\$ 996,186	\$ 896,429	\$ 896,988
Interest	3,160,464	3,076,155	3,038,002
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,645,288	8,435	(726,211)
Benefit payments, including refunds of employee contributions	(2,883,617)	(2,779,885)	(2,506,088)
Net change in total pension liability	3,918,321	1,201,134	702,691
Total pension liability - beginning	47,267,318	46,066,184	45,363,493
Total pension liability - ending (a)	\$ 51,185,639	\$ 47,267,318	\$ 46,066,184
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 1,268,671	\$ 1,124,844	\$ 966,799
Contributions - employee	432,108	376,994	372,337
Net investment income	4,041,142	2,597,122	(32,352)
Benefit payments, including refunds of employee contributions	(2,883,617)	(2,779,885)	(2,506,088)
Administrative expense	(27,487)	(26,408)	(26,368)
Other	808	1,040	957
Net change in total net pension position	2,831,625	1,293,707	(1,224,715)
Total net pension position - beginning	42,007,338	40,713,631	41,938,346
Total net pension position - ending (b)	\$ 44,838,963	\$ 42,007,338	\$ 40,713,631
Town's net pension liability - ending (a) - (b)	\$ 6,346,676	\$ 5,259,980	\$ 5,352,553
Plan fiduciary net position as a percentage of the total pension liability	88%	89%	88%
Covered payroll	\$ 9,278,109	\$ 8,122,346	\$ 7,890,007
Town's net pension liability as a percentage of covered payroll	68%	65%	68%

See Independent Auditor's Report

							Plan Year						
2021		2020		2019		2018		2017		2016		2015	
\$	887,581	\$	924,296	\$	855,832	\$	817,668	\$	839,589	\$	838,443	\$	763,448
	2,788,920		2,754,505		2,661,052		2,577,315		2,534,294		2,452,835		2,348,782
	1,714,062		-		1,171,848		-		(318,380)		-		-
	(196,235)		(893,252)		368,346		(7,181)		(304,814)		100,624		503,756
	(2,296,348)		(2,255,024)		(2,274,225)		(2,108,908)		(2,163,295)		(2,293,121)		(1,965,892)
	2,897,980		530,525		2,782,853		1,278,894		587,394		1,098,781		1,650,094
	42,465,513		41,934,988		39,152,135		37,873,241		37,285,847		36,187,066		34,536,972
\$	45,363,493	\$	42,465,513	\$	41,934,988	\$	39,152,135	\$	37,873,241	\$	37,285,847	\$	36,187,066
\$	980,847	\$	936,681	\$	952,791	\$	1,003,374	\$	983,818	\$	1,011,174	\$	964,775
	418,237		376,109		382,999		377,390		364,069		351,767		375,118
	9,160,040		644,025		2,160,207		2,299,527		3,458,423		486,430		1,291,269
	(2,296,348)		(2,255,024)		(2,274,225)		(2,108,908)		(2,163,295)		(2,293,121)		(1,965,892)
	(23,072)		(22,414)		(21,868)		(20,098)		(20,391)		(18,467)		(18,055)
	861		(948)		(1,358)		(2,037)		(3,056)		(210)		(275)
	8,240,565		(321,571)		1,198,546		1,549,248		2,619,568		(462,427)		646,940
	33,697,781		34,019,352		32,820,806		31,271,558		28,651,990		29,114,417		28,467,477
\$	41,938,346	\$	33,697,781	\$	34,019,352	\$	32,820,806	\$	31,271,558	\$	28,651,990	\$	29,114,417
\$	3,425,147	\$	8,767,732	\$	7,915,636	\$	6,331,329	\$	6,601,683	\$	8,633,857	\$	7,072,649
	92%		79%		81%		84%		83%		77%		80%
\$	7,738,768	\$	7,738,915	\$	8,072,144	\$	7,703,337	\$	7,425,456	\$	7,181,524	\$	6,898,938
	44%		113%		98%		82%		89%		120%		103%

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
For The Year Ended June 30, 2025

Entity Fiscal Year	Actuarially Determined Employer Contribution (a)	Actual Employer Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contribution as a % of Covered Payroll (b/c)
2025	\$ 1,424,821	\$ 1,424,821	\$ -	\$ 10,048,105	14.18%
2024	1,353,676	1,353,676	-	9,278,109	14.59%
2023	1,185,050	1,185,050	-	8,122,346	14.59%
2022	1,010,710	1,010,710	-	7,890,007	12.81%
2021	980,847	980,847	-	7,738,768	12.67%
2020	936,681	936,681	-	7,738,915	12.10%
2019	952,791	952,791	-	8,072,144	11.80%
2018	1,003,374	1,003,374	-	7,703,337	13.03%
2017	983,818	983,818	-	7,425,456	13.25%
2016	1,011,174	1,011,174	-	7,181,524	14.08%

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE SUPPLEMENTAL PENSION SCHEDULES
For The Year Ended June 30, 2025

Valuation Date: Actuarially determined contribution amounts for fiscal year 2024 are calculated based upon the results of the June 30, 2021 actuarial valuation. Interim adjustments to the calculated rate are made if the employer changes the level of benefits provided under the plan between rate setting valuations. Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2024:

Actuarial cost method	Entry-age normal.
Amortization method	Level percentage of payroll, closed.
Remaining amortization period	Up to 22 years (varies by employer).
Asset valuation report	5-year smoothed market.
Inflation	2.50%.
Salary increases	Non-hazardous duty – 3.50% to 5.35% Enhanced hazardous duty – 3.50% to 4.75%.
Investment rate of return	6.75%, net of investment expenses.
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	A version of the Pub-2010 Mortality Tables (amount-weighted) with fully generational mortality improvements projected using 75% of the MP-2020 projection scale.
Other Information:	
Notes	Total Pension Liability (TPL) calculations are based on the assumptions and methods found in the 2023 Appendix on the VRS website.

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF CHANGES IN TOTAL OPEB HEALTH INSURANCE LIABILITY
AND RELATED RATIOS
For The Year Ended June 30, 2025

	Entity Fiscal Year	
	2025	2024
<u>Total OPEB liability</u>		
Service cost	\$ 154,706	\$ 172,893
Interest on total OPEB liability	107,227	114,433
Effect of economic/demographic gains or (losses)	-	(407,967)
Effect of assumption changes or inputs	(252,350)	(104,755)
Benefit payments	(155,918)	(170,351)
Net change in total OPEB liability	(146,335)	(395,747)
Total OPEB liability - beginning	2,650,909	3,046,656
Total OPEB liability - ending (a)	\$ 2,504,574	\$ 2,650,909
<u>Covered-employee payroll</u>	\$ 8,963,427	\$ 8,963,427
<u>Total OPEB liability as a % of covered-employee payroll</u>	27.94%	29.57%

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

Entity Fiscal Year					
2023	2022	2021	2020	2019	2018
\$ 130,850	\$ 164,932	\$ 209,933	\$ 177,554	\$ 144,630	\$ 149,146
103,561	78,913	79,280	143,687	148,984	136,420
-	(450,576)	-	(476,220)	-	-
107,215	(300,842)	14,634	(200,563)	131,241	(130,832)
(177,600)	(195,379)	(190,332)	(198,644)	(205,426)	(191,316)
164,026	(702,952)	113,515	(554,186)	219,429	(36,582)
2,882,630	3,585,582	3,472,067	4,026,253	3,806,824	3,843,406
\$ 3,046,656	\$ 2,882,630	\$ 3,585,582	\$ 3,472,067	\$ 4,026,253	\$ 3,806,824
\$ 7,954,328	\$ 7,736,627	\$ 8,511,757	\$ 8,324,014	\$ 7,384,438	\$ 7,384,438
38.30%	37.26%	42.13%	41.71%	54.52%	51.55%

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY HEALTH INSURANCE SCHEDULE
For The Year Ended June 30, 2025

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

The following factors affect trends in the amounts reported:

June 30, 2022

Discount rate - 3.54%

June 30, 2023

Discount rate - 3.65%

June 30, 2024

Discount rate - 3.93%

June 30, 2025

Discount rate - 5.20%



TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET LODA OPEB LIABILITY AND RELATED RATIOS
For The Year Ended June 30, 2025

	Plan Year	
	2024	2023
Employer's proportion of the net LODA OPEB liability	0.20%	0.18%
Employer's proportionate share of the net LODA OPEB liability	\$ 780,104	\$ 741,543
Covered payroll	** \$ 2,296,915	\$ 2,289,248
Employer's proportionate share of the net LODA OPEB liability as a percentage of its covered-employee payroll	** 33.96%	32.39%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	<u>1.22%</u>	<u>1.31%</u>

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

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

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

Plan Year					
2022	2021	2020	2019	2018	2017
0.19%	0.19%	0.20%	0.20%	0.22%	0.19%
\$ 714,789	\$ 850,100	\$ 826,532	\$ 717,000	\$ 685,000	\$ 511,000
\$ 1,774,268	\$ 1,739,478	\$ 1,774,880	\$ 1,623,007	\$ 1,453,570	\$ 1,249,881
40.29%	48.87%	46.57%	44.18%	47.13%	40.88%
1.87%	1.67%	1.02%	0.79%	0.60%	1.30%

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LINE OF DUTY ACT
For The Year Ended June 30, 2025

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll* (c)	Contributions as a % of Covered-Employee Payroll* (b/c)
2025	\$ 30,450	\$ 30,450	\$ -	\$ 2,467,675	1.23%
2024	29,880	29,880	-	2,296,915	1.30%
2023	24,546	24,546	-	2,289,248	1.07%
2022	26,012	26,012	-	1,774,268	1.47%
2021	26,540	26,540	-	1,739,478	1.53%
2020	26,819	26,819	-	1,774,880	1.51%
2019	23,262	23,262	-	1,623,007	1.43%
2018	20,993	20,993	-	1,453,570	1.44%
2017	7,499	7,499	-	1,249,881	0.60%
2016	5,714	5,714	-	952,401	0.60%

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

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY LODA SCHEDULES
For The Year Ended June 30, 2025

Changes of benefit terms - Related to the LODA Benefit, House Bills 321 and 1433 that increases the death benefit from presumptive causes from \$25,000 to \$75,000 and expands the definition of dependent children to include adopted children.

Changes of assumptions - The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY
For The Year Ended June 30, 2025

	Plan Year	
	2024	2023
Employer's proportion of the net GLI OPEB liability	0.03613%	0.03448%
Employer's proportionate share of the net GLI OPEB liability	\$ 403,183	\$ 413,523
Covered-employee payroll	** \$ 10,048,105	\$ 9,276,977
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered-employee payroll	** 4.01%	4.46%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	<u>73.41%</u>	<u>69.30%</u>

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

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

Plan Year					
2022	2021	2020	2019	2018	2017
0.03627%	0.03846%	0.03790%	0.04026%	0.04002%	0.04027%
\$ 436,726	\$ 447,779	\$ 632,489	\$ 655,000	\$ 608,000	\$ 606,000
\$ 8,109,487	\$ 7,971,082	\$ 7,738,915	\$ 8,072,144	\$ 7,703,337	\$ 7,425,456
5.39%	5.62%	8.17%	8.11%	7.89%	8.16%
67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - GROUP LIFE INSURANCE
For The Year Ended June 30, 2025

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a % of Covered- Employee Payroll (b/c)
2025	\$ 47,226	\$ 47,226	\$ -	\$ 10,048,105	0.47%
2024	50,102	50,102	-	9,276,977	0.54%
2023	43,861	43,861	-	8,109,487	0.54%
2022	42,880	42,880	-	7,971,082	0.54%
2021	41,614	41,614	-	7,738,915	0.54%
2020	40,557	40,557	-	8,072,144	0.50%
2019	41,038	41,038	-	7,703,337	0.53%
2018	39,572	39,572	-	7,425,456	0.53%
2017	34,542	34,542	-	7,181,524	0.48%
2016	38,621	38,621	-	6,898,938	0.56%

See Independent Auditor's Report

TOWN OF FRONT ROYAL, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY GLI SCHEDULES
For The Year Ended June 30, 2025

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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



OTHER SUPPLEMENTARY INFORMATION

**TOWN OF FRONT ROYAL, VIRGINIA
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 June 30, 2025**

	Asset Forfeitures	Debt Service	Community/ Neighborhood	Totals
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 47,305	\$ -	\$ 1,509,019	\$ 1,556,324
Inventories and other assets	-	4,493	-	4,493
Total assets	\$ 47,305	\$ 4,493	\$ 1,509,019	\$ 1,560,817
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Due to other funds	\$ -	\$ 2,220,536	\$ -	\$ 2,220,536
Total liabilities	-	2,220,536	-	2,220,536
Fund balances:				
Restricted for:				
Capital outlays	47,305	-	-	47,305
Community development	-	-	1,509,019	1,509,019
Unassigned	-	(2,216,043)	-	(2,216,043)
Total fund balances (deficit)	47,305	(2,216,043)	1,509,019	(659,719)
Total liabilities and fund balances	\$ 47,305	\$ 4,493	\$ 1,509,019	\$ 1,560,817

TOWN OF FRONT ROYAL, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	Asset Forfeitures	Debt Service	Community/ Neighborhood	Totals
Revenues:				
Property taxes	\$ -	\$ -	\$ 370,035	\$ 370,035
Recovered costs	16,868	-	-	16,868
Total revenues	16,868	-	370,035	386,903
Expenditures:				
Public safety	16,938	-	-	16,938
Planning, zoning, & community development	-	-	153,247	153,247
Capital outlay	-	573,939	-	573,939
Total expenditures	16,938	573,939	153,247	744,124
Excess (deficiency) of revenues over expenditures	(70)	(573,939)	216,788	(357,221)
Other financing uses				
Transfers out	-	-	(220,000)	(220,000)
Net change in fund balance	(70)	(573,939)	(3,212)	(577,221)
Fund balances (deficit), beginning	47,375	(1,642,104)	1,512,231	(82,498)
Fund balances (deficit), ending	\$ 47,305	\$ (2,216,043)	\$ 1,509,019	\$ (659,719)

TOWN OF FRONT ROYAL, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - ASSET FORFEITURES
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Recovered costs	\$ 12,000	\$ 12,000	\$ 16,868	\$ 4,868
Total revenues	12,000	12,000	16,868	4,868
Expenditures:				
Public safety	12,000	28,938	16,938	12,000
Total expenditures	12,000	28,938	16,938	12,000
Excess (deficiency) of revenues over expenditures	-	(16,938)	(70)	16,868
Other financing sources (uses)				
Fund balance re-appropriated	-	16,938	-	16,938
Total other financing sources (uses)	-	16,938	-	16,938
Net change in fund balance	\$ -	\$ -	\$ (70)	\$ (70)

TOWN OF FRONT ROYAL, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures:				
Capital outlays	\$ -	\$ 613,939	\$ 573,939	\$ 40,000
Total expenditures	-	613,939	573,939	40,000
Excess (deficiency) of revenues over expenditures	-	(613,939)	(573,939)	40,000
Other financing sources (uses)				
Fund balance re-appropriated	-	613,939	-	(613,939)
Total other financing sources (uses)	-	613,939	-	(613,939)
Net change in fund balance	\$ -	\$ -	\$ (573,939)	\$ (573,939)

TOWN OF FRONT ROYAL, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - COMMUNITY/NEIGHBORHOOD
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 370,035	\$ 370,035	\$ 370,035	\$ -
Total revenues	370,035	370,035	370,035	-
Expenditures:				
Planning, zoning, & community development	370,035	1,370,791	153,247	1,217,544
Total expenditures	370,035	1,370,791	153,247	1,217,544
Excess (deficiency) of revenues over expenditures	-	(1,000,756)	216,788	1,217,544
Other financing sources (uses)				
Transfer out	-	(220,000)	(220,000)	-
Fund balance re-appropriated	-	1,220,756	-	(1,220,756)
Total other financing sources (uses)	-	1,000,756	(220,000)	(1,220,756)
Net change in fund balance	\$ -	\$ -	\$ (3,212)	\$ (3,212)

TOWN OF FRONT ROYAL, VIRGINIA
COMPARATIVE STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025 and June 30, 2024

	Business-type Activities - Enterprise Funds			
	Electric Current Year	Electric Prior Year*	Water Current Year	Water Prior Year*
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 2,200,770	\$ 2,133,881
Investments	13,634,896	12,985,118	8,462,456	8,126,752
Accounts receivable, net	1,934,049	1,927,804	656,868	618,655
Lease receivable	-	-	303,588	173,506
Other receivables, net	81,580	98,979	518	44,175
Inventories	2,724,105	1,799,897	434,577	353,741
Total current assets	18,374,630	16,811,798	12,058,777	11,450,710
Noncurrent assets:				
Restricted cash and cash equivalents				
Customer deposits	801,324	762,433	63,513	65,033
Capital assets, net	12,716,364	12,529,326	42,782,433	41,560,218
Total noncurrent assets	13,517,688	13,291,759	42,845,946	41,625,251
Total assets	31,892,318	30,103,557	54,904,723	53,075,961
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunded debt	-	-	207,784	230,871
Pension benefits	355,180	152,617	207,189	89,027
Other post-employment benefits	23,356	32,157	13,625	18,758
Total deferred outflow of resources	378,536	184,774	428,598	338,656
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	1,707,783	1,501,925	204,364	208,479
Compensated absences - current	86,342	76,236	32,422	42,974
General obligation bonds - current	-	-	943,015	903,015
Lease payable - current	-	-	-	-
Other post-employment benefits - current	18,480	19,635	11,088	11,781
Total current liabilities	1,812,605	1,597,796	1,190,889	1,166,249
Noncurrent liabilities:				
Customer deposits payable	801,324	762,434	63,513	65,033
Unearned revenue - ARPA	-	-	-	-
Retainage payable	-	-	272,746	622,360
Due to other funds	7,261,921	5,499,702	2,870,052	1,629,475
Compensated absences	129,515	114,355	48,632	64,462
General obligation bonds payable	-	-	2,398,016	3,341,031
Lease payable	-	-	-	-
Net pension liability	761,601	631,198	444,268	368,199
Other post-employment benefits	330,453	348,099	192,455	202,729
Total noncurrent liabilities	9,284,814	7,355,788	6,289,682	6,293,289
Total liabilities	11,097,419	8,953,584	7,480,571	7,459,538
DEFERRED INFLOWS OF RESOURCES				
Pension benefits	142,446	96,736	83,093	56,429
Other post-employment benefits	138,279	146,887	80,662	85,684
Leases	-	-	294,645	162,010
Total deferred inflows of resources	280,725	243,623	458,400	304,123
NET POSITION:				
Net investment in capital assets	12,716,364	12,529,326	39,376,440	36,924,683
Unrestricted	8,176,346	8,561,798	8,017,910	8,726,273
Total net position	\$ 20,892,710	\$ 21,091,124	\$ 47,394,350	\$ 45,650,956

*Certain amounts are shown as restated. See note 18.

TOWN OF FRONT ROYAL, VIRGINIA
COMPARATIVE STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
June 30, 2025 and June 30, 2024

	Business-type Activities - Enterprise Funds			
	Sewer Current Year	Sewer Prior Year*	Solid Waste Current Year	Solid Waste Prior Year*
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,028,783	\$ 3,466,178	\$ 1,811,027	\$ 1,479,603
Investments	8,457,598	8,121,895	-	-
Accounts receivable, net	740,038	700,233	201,576	130,121
Lease receivable	-	-	-	-
Other receivables, net	4,100	4,025	-	-
Inventories	434,577	353,741	-	-
Total current assets	10,665,096	12,646,072	2,012,603	1,609,724
Noncurrent assets:				
Restricted cash and cash equivalents				
Customer deposits	-	-	-	-
Capital assets, net	64,794,967	63,783,440	70,558	107,089
Total noncurrent assets	64,794,967	63,783,440	70,558	107,089
Total assets	75,460,063	76,429,512	2,083,161	1,716,813
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunded debt	-	-	-	-
Pension benefits	295,984	127,180	147,992	63,589
Other post-employment benefits	19,465	26,798	9,732	13,399
Total deferred outflow of resources	315,449	153,978	157,724	76,988
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	114,380	440,316	53,330	28,021
Compensated absences - current	32,422	42,974	27,446	22,500
General obligation bonds - current	1,968,880	1,968,880	-	-
Lease payable - current	58,703	56,509	-	-
Other post-employment benefits - current	15,312	16,269	7,920	8,415
Total current liabilities	2,189,697	2,524,948	88,696	58,936
Noncurrent liabilities:				
Customer deposits payable	-	-	-	-
Unearned revenue - ARPA	-	693,166	-	-
Retainage payable	-	299,191	-	-
Due to other funds	97,762	-	-	-
Compensated absences	48,632	64,462	41,168	33,749
General obligation bonds payable	21,363,194	23,332,073	-	-
Lease payable	340,806	399,509	-	-
Net pension liability	634,668	525,998	317,334	262,999
Other post-employment benefits	275,463	290,174	137,466	144,806
Total noncurrent liabilities	22,760,525	25,604,573	495,968	441,554
Total liabilities	24,950,222	28,129,521	584,664	500,490
DEFERRED INFLOWS OF RESOURCES				
Pension benefits	118,705	80,614	59,356	40,307
Other post-employment benefits	115,231	122,406	57,616	61,203
Leases	-	-	-	-
Total deferred inflows of resources	233,936	203,020	116,972	101,510
NET POSITION:				
Net investment in capital assets	41,063,384	37,727,278	70,558	107,089
Unrestricted	9,527,970	10,523,671	1,468,691	1,084,712
Total net position	\$ 50,591,354	\$ 48,250,949	\$ 1,539,249	\$ 1,191,801

*Certain amounts are shown as restated. See note 18.

TOWN OF FRONT ROYAL, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Years Ended June 30, 2025 and June 30, 2024

	Business-type Activities - Enterprise Funds			
	Electric Current Year	Electric Prior Year*	Water Current Year	Water Prior Year*
Operating revenues:				
Charges for sales and services				
Electric sales	\$ 20,041,187	\$ 19,599,073	\$ -	\$ -
Water and sewer sales	-	-	5,385,298	4,801,356
Installation and connection charges	310,019	412,790	184,096	132,573
Refuse service fees	-	-	-	-
Other	12,578	75,169	27,603	1,418,412
Total operating revenues	20,363,784	20,087,032	5,596,997	6,352,341
Operating expenses:				
Personal service	1,817,334	1,652,745	1,467,308	1,198,191
Contractual service	117,938	129,123	344,170	341,261
Electric power	16,307,310	14,613,142	-	-
Depreciation	876,178	852,927	1,270,614	1,229,572
Other charges	176,503	1,033,765	865,964	861,123
Total operating expenses	19,295,263	18,281,702	3,948,056	3,630,147
Operating income	1,068,521	1,805,330	1,648,941	2,722,194
Nonoperating revenues (expenses):				
Gain (loss) on investments	141,541	166,607	98,573	116,927
Interest income (expense)	353,499	348,011	295,516	277,283
Capital grants	72,740	30,351	90,682	5,819,913
Gain on sale of capital assets	18,085	-	-	-
Lease income	-	-	89,682	109,869
Total nonoperating revenues (expenses)	585,865	544,969	574,453	6,323,992
Transfers in (out)	(1,852,800)	(1,960,000)	(480,000)	(480,000)
Change in net position	(198,414)	390,299	1,743,394	8,566,186
Total net position - beginning, as restated	21,091,124	20,700,825	45,650,956	37,084,770
Total net position - end of year	\$ 20,892,710	\$ 21,091,124	\$ 47,394,350	\$ 45,650,956

*Certain amounts are shown as restated. See note 18.

TOWN OF FRONT ROYAL, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)
PROPRIETARY FUNDS
For The Years Ended June 30, 2025 and June 30, 2024

	Business-type Activities - Enterprise Funds			
	Sewer Current Year	Sewer Prior Year*	Solid Waste Current Year	Solid Waste Prior Year*
Operating revenues:				
Charges for sales and services				
Electric sales	\$ -	\$ -	\$ -	\$ -
Water and sewer sales	6,883,500	5,931,054	-	-
Installation and connection charges	362,819	272,903	-	-
Refuse service fees	-	-	1,672,439	1,159,352
Other	39,550	19,268	-	-
Total operating revenues	7,285,869	6,223,225	1,672,439	1,159,352
Operating expenses:				
Personal service	1,164,687	1,306,247	846,651	761,256
Contractual service	336,012	334,120	8,050	-
Electric power	-	-	-	-
Depreciation	2,369,996	2,237,651	36,531	52,751
Other charges	1,770,709	1,634,893	493,434	256,425
Total operating expenses	5,641,404	5,512,911	1,384,666	1,070,432
Operating income	1,644,465	710,314	287,773	88,920
Nonoperating revenues (expenses):				
Gain (loss) on investments	98,573	116,927	-	-
Interest income (expense)	352,701	388,699	151,675	157,517
Capital grants	819,666	1,912,837	3,000	-
Gain on sale of capital assets	-	-	-	1,797
Lease income	-	-	-	-
Total nonoperating revenues (expenses)	1,270,940	2,418,463	154,675	159,314
Transfers in (out)	(575,000)	(575,000)	(95,000)	(95,000)
Change in net position	2,340,405	2,553,777	347,448	153,234
Total net position - beginning, as restated	48,250,949	45,697,172	1,191,801	1,038,567
Total net position - end of year	\$ 50,591,354	\$ 48,250,949	\$ 1,539,249	\$ 1,191,801

*Certain amounts are shown as restated. See note 18.



STATISTICAL SECTION

Town of Front Royal, Virginia
Net Position by Component
Last Ten Years
(accrual basis of accounting)
Schedule 1

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net Investment in Capital Assets	\$ 49,088,542	\$ 53,926,594	\$ 51,389,043	\$ 49,299,224	\$ 45,504,940	\$ 41,807,111	\$ 38,432,104	\$ 26,341,520	\$ 32,357,706	\$ 30,371,362
Restricted for:										
Other Purposes	3,394,680	3,528,117	4,133,610	4,890,632	4,521,867	7,693,994	7,185,636	3,560,126	4,180,820	4,065,668
Unrestricted	2,755,805	3,165,636	1,702,112	2,049,383	3,768,860	5,006,361	6,548,607	22,225,456	15,465,152	16,345,362
Total Government Activities Net Position	\$ 55,239,027	\$ 60,620,347	\$ 57,224,765	\$ 56,239,239	\$ 53,795,667	\$ 54,507,466	\$ 52,166,347	\$ 52,127,102	\$ 52,003,678	\$ 50,782,392
Business-type Activities										
Net Investment in Capital Assets	\$ 51,693,830	\$ 50,846,302	\$ 53,624,361	\$ 53,014,215	\$ 56,282,332	\$ 61,617,386	\$ 65,022,977	\$ 71,029,640	\$ 87,288,376	\$ 93,226,746
Unrestricted	18,022,201	26,239,996	25,856,906	29,337,878	29,424,032	28,422,162	29,338,787	33,601,751	29,006,512	27,190,917
Total Business-type Activities Net Position	\$ 69,716,031	\$ 77,086,298	\$ 79,481,267	\$ 82,352,093	\$ 85,706,364	\$ 90,039,548	\$ 94,361,764	\$ 104,631,391	\$ 116,294,888	\$ 120,417,663
Primary Government										
Net Investment in Capital Assets	\$ 100,782,372	\$ 104,772,896	\$ 105,013,404	\$ 102,313,439	\$ 101,787,272	\$ 103,424,497	\$ 103,455,081	\$ 97,371,160	\$ 119,646,082	\$ 123,598,108
Restricted	3,394,680	3,528,117	4,133,610	4,890,632	4,521,867	7,693,994	7,185,636	3,560,126	4,180,820	4,065,668
Unrestricted	20,778,006	29,405,632	27,559,018	31,387,261	33,192,892	33,428,523	35,887,394	55,827,207	44,471,664	43,536,279
Total Primary Government Net Position	\$ 124,955,058	\$ 137,706,645	\$ 136,706,032	\$ 138,591,332	\$ 139,502,031	\$ 144,547,014	\$ 146,528,111	\$ 156,758,493	\$ 168,298,566	\$ 171,200,055

NOTE:

Fiscal year 2024 Governmental and Business-Type Activities were restated in fiscal year 2025 for the effects of implementing GASB Statement No. 101. Prior year amounts on this schedule have not been adjusted.

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

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities:										
General government and administration	\$ 3,866,401	\$ 3,371,036	\$ 4,467,872	\$ 3,580,318	\$ 3,987,202	\$ 4,015,860	\$ 3,461,743	\$ 4,332,364	\$ 5,125,186	\$ 5,167,357
Public safety	4,401,137	4,626,250	5,916,461	5,084,827	5,482,892	5,692,090	5,234,058	5,419,077	5,350,661	6,020,740
Public works and engineering	2,832,612	2,971,237	3,441,419	2,671,218	2,576,212	2,571,885	2,334,275	2,268,376	2,810,396	2,984,286
Planning, zoning, and community development	1,077,032	1,246,737	1,078,310	936,586	959,043	1,959,984	617,511	565,192	1,283,036	942,688
Interest on long term debt	-	-	-	10,965	25,337	144,456	176,510	169,157	255,462	258,033
Infrastructure depreciation	3,591,055	3,591,054	3,591,054	4,052,716	4,085,813	4,085,813	4,085,813	4,085,813	4,085,813	4,085,813
Total Governmental Activities Expenses	15,768,237	15,806,314	18,495,116	16,336,630	17,116,499	18,470,088	15,909,910	16,839,979	18,910,554	19,458,917
Business-Type Activities:										
Electric	15,869,418	15,515,533	18,370,011	18,681,552	16,834,919	16,474,219	17,301,690	17,501,154	18,281,702	19,295,263
Water	3,604,540	3,444,027	3,799,910	3,380,314	3,315,985	3,011,707	3,384,680	3,512,061	3,630,147	3,948,056
Sewer	3,584,110	4,106,234	5,219,163	5,307,707	4,913,811	5,114,415	4,884,514	5,388,660	5,512,911	5,641,404
Solid waste management	864,785	837,128	898,003	882,729	895,285	889,894	1,091,676	865,037	1,070,432	1,384,666
Total Business-Type Activities Expenses	23,922,853	23,902,922	28,287,087	28,252,302	25,960,000	25,490,235	26,662,560	27,266,912	28,495,192	30,269,389
Total Primary Government Expenses	39,691,090	39,709,236	46,782,203	44,588,932	43,076,499	43,960,323	42,572,470	44,106,891	47,405,746	49,728,306
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	101,895	82,552	76,402	55,704	24,889	68,889	32,793	396,882	2,481	3,320
Public safety	188,653	167,355	247,586	298,212	171,240	161,077	134,874	160,141	360,422	603,244
Public works and engineering	3,248	-	-	-	-	-	-	-	-	-
Planning, zoning, and community development	30,739	29,534	40,747	31,695	43,230	30,669	32,485	53,570	48,445	61,022
Operating grants and contributions	2,164,424	2,231,968	2,263,456	3,008,198	2,524,909	7,147,804	2,598,163	635,946	3,342,339	3,309,364
Capital grants and contributions	5,315,112	7,760,114	1,296,492	283,281	99,175	154,738	178,370	2,466,785	165,000	271,561
Total Governmental Program Revenues	7,804,071	10,271,523	3,924,683	3,677,090	2,863,443	7,563,177	2,976,685	3,713,324	3,918,687	4,248,511
Business-Type Activities:										
Charges for services:										
Electric	16,850,344	16,427,093	18,794,719	20,344,673	19,892,677	20,094,836	20,476,849	20,000,839	20,074,059	20,351,206
Water	5,134,173	5,405,199	5,258,361	5,073,560	4,827,497	5,120,139	4,776,339	4,955,860	5,043,798	5,659,076
Sewer	6,719,064	7,077,220	6,672,143	6,473,632	5,794,938	6,129,937	6,137,710	6,310,982	6,203,957	7,246,319
Solid waste management	1,004,293	1,099,451	1,125,850	1,094,132	1,109,694	1,099,514	1,139,065	1,134,072	1,159,352	1,672,439
Capital grants and contributions	5,381,345	4,358,919	1,841,670	262,563	138,904	152,293	141,419	5,707,999	7,763,101	986,088
Total Business-Type Program Revenues	35,089,219	34,367,882	33,692,743	33,248,560	31,763,710	32,596,719	32,671,382	38,109,752	40,244,267	35,915,128
Total Primary Government Program Revenues	42,893,290	44,639,405	37,617,426	36,925,650	34,627,153	40,159,896	35,648,067	41,823,076	44,162,954	40,163,639

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

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense) Revenue										
Governmental Activities	\$ (7,964,166)	\$ (5,534,791)	\$ (14,570,433)	\$ (12,659,540)	\$ (14,253,056)	\$ (10,906,911)	\$ (12,933,225)	\$ (13,126,655)	\$ (14,991,867)	\$ (15,210,406)
Business-Type Activities	11,166,366	10,464,960	5,405,656	4,996,258	5,803,710	7,106,484	6,008,822	10,842,840	11,749,075	5,645,739
	<u>3,202,200</u>	<u>4,930,169</u>	<u>(9,164,777)</u>	<u>(7,663,282)</u>	<u>(8,449,346)</u>	<u>(3,800,427)</u>	<u>(6,924,403)</u>	<u>(2,283,815)</u>	<u>(3,242,792)</u>	<u>(9,564,667)</u>
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Property taxes	1,843,505	1,935,993	1,960,007	2,175,076	2,183,121	2,219,143	2,594,239	2,462,050	2,539,502	2,404,957
Sales taxes	794,164	930,123	905,904	951,020	1,054,716	1,218,034	1,344,539	1,379,166	1,499,316	1,543,660
Business and occupational taxes	804,677	735,679	719,089	763,876	812,015	827,597	921,215	965,682	1,069,686	1,062,358
Franchise and bank stock taxes	288,944	286,165	372,811	368,735	372,784	323,005	496,127	492,296	506,495	515,244
Communication taxes	165,738	160,990	157,125	145,928	140,543	128,982	121,782	118,864	112,329	110,332
Consumer taxes	181,034	225,029	183,832	232,517	227,433	225,195	236,869	225,707	231,699	240,513
Meals and lodging taxes	1,852,221	1,926,177	1,996,490	2,071,821	2,095,034	2,210,625	2,539,705	2,721,483	2,834,628	2,949,238
Virginia pers. prop. tax reduction	287,000	287,000	287,863	287,863	287,863	287,000	287,000	287,863	287,863	287,865
Payment in lieu of taxes	403,582	516,858	651,780	730,871	753,655	805,142	780,924	860,071	997,238	901,236
Vehicle taxes	368,894	365,261	375,976	377,554	390,178	378,663	385,138	88,840	390,045	390,394
Other general taxes	84,764	90,552	105,457	123,166	108,865	88,657	91,808	-	107,789	123,962
Unrestricted investment earnings	65,457	33,784	63,053	295,260	250,609	34,604	(211,836)	274,442	617,644	578,133
Gain on sale of capital assets										
recovered costs, and miscellaneous	-	-	240,464	19,327	2,668	8,207	33,129	81,446	564,209	19,671
Cumulative effect of adoption of new GASB standards	-	-	-	-	-	-	-	-	-	(141,243)
Transfers	3,193,645	3,422,500	3,155,000	3,131,000	3,130,000	2,863,856	971,467	3,129,500	3,110,000	3,002,800
Total Governmental Activities	<u>10,333,625</u>	<u>10,916,111</u>	<u>11,174,851</u>	<u>11,674,014</u>	<u>11,809,484</u>	<u>11,618,710</u>	<u>10,592,106</u>	<u>13,087,410</u>	<u>14,868,443</u>	<u>13,989,120</u>
Business-Type Activities:										
Unrestricted investment earnings	194,315	62,459	144,313	873,411	680,561	90,556	(715,139)	539,441	1,571,971	1,492,078
Gain on sale of capital assets										
recovered costs, and miscellaneous	-	265,348	-	132,157	-	-	-	2,016,846	1,452,451	97,816
Cumulative effect of adoption of new GASB standards	-	-	-	-	-	-	-	-	-	(110,058)
Transfers	(3,193,645)	(3,422,500)	(3,155,000)	(3,131,000)	(3,130,000)	(2,863,856)	(971,467)	(3,129,500)	(3,110,000)	(3,002,800)
Total Business-Type Activities	<u>(2,999,330)</u>	<u>(3,094,693)</u>	<u>(3,010,687)</u>	<u>(2,125,432)</u>	<u>(2,449,439)</u>	<u>(2,773,300)</u>	<u>(1,686,606)</u>	<u>(573,213)</u>	<u>(85,578)</u>	<u>(1,522,964)</u>
Total Primary Government	<u>7,334,295</u>	<u>7,821,418</u>	<u>8,164,164</u>	<u>9,548,582</u>	<u>9,360,045</u>	<u>8,845,410</u>	<u>8,905,500</u>	<u>12,514,197</u>	<u>14,782,865</u>	<u>12,466,156</u>
Change in Net Position										
Governmental Activities	2,369,459	5,381,320	(3,395,582)	(985,526)	(2,443,572)	711,799	(2,341,119)	(39,245)	(123,424)	(1,221,286)
Business-Type Activities	8,167,036	7,370,267	2,394,969	2,870,826	3,354,271	4,333,184	4,322,216	10,269,627	11,663,497	4,122,775
Total Primary Government	<u>\$ 10,536,495</u>	<u>\$ 12,751,587</u>	<u>\$ (1,000,613)</u>	<u>\$ 1,885,300</u>	<u>\$ 910,699</u>	<u>\$ 5,044,983</u>	<u>\$ 1,981,097</u>	<u>\$ 10,230,382</u>	<u>\$ 11,540,073</u>	<u>\$ 2,901,489</u>

NOTE:

Fiscal year 2024 Governmental and Business-Type Activities were restated in fiscal year 2025 for the effects of implementing GASB Statement No. 101. The cumulative effect of the adoption is shown an individual line item for Governmental and Business-Type Activities, respectively. Prior period amounts were not adjusted.

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

Fiscal Year	Property	Sales	Business and Occupational	Bank stock., Comm. and Franchise	Consumer	Meals and Lodging	Virginia PPTR	In Lieu of Taxes	Vehicle Taxes	Other General	Total
2016	\$ 1,843,505	\$ 794,164	\$ 804,677	\$ 454,682	\$ 181,034	\$ 1,852,221	\$ 287,000	\$ 403,582	\$ 368,894	\$ 84,764	\$ 7,074,523
2017	1,843,122	930,123	735,679	447,155	225,029	1,926,177	287,000	516,858	365,261	90,552	7,366,956
2018	1,960,007	905,904	719,089	529,936	183,832	1,996,490	287,863	651,780	375,976	105,457	7,716,334
2019	2,175,076	951,020	763,876	514,663	232,517	2,071,821	287,863	730,871	377,554	123,166	8,228,427
2020	2,183,121	1,054,716	812,015	513,327	227,433	2,095,034	287,863	753,655	390,178	108,865	8,426,207
2021	2,219,143	1,218,034	827,597	451,987	225,195	2,210,625	287,000	805,142	378,663	88,657	8,712,043
2022	2,594,239	1,344,539	921,215	617,909	236,869	2,539,705	287,000	780,924	385,138	91,808	9,799,346
2023	2,462,050	1,379,166	965,682	594,936	225,707	2,721,483	287,863	860,071	383,230	105,064	9,985,252
2024	2,539,502	1,499,316	1,069,686	618,824	231,699	2,834,628	287,863	997,238	390,045	107,789	10,576,590
2025	2,404,957	1,543,660	1,062,358	625,576	240,513	2,949,238	287,865	901,236	390,394	123,962	10,529,759

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

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 141,487	\$ 117,862	\$ 94,008	\$ 67,677	\$ 534,395	\$ 37,296	\$ 18,144	\$ 15,899	\$ 72,574	\$ 55,137
Restricted	2,462,565	2,776,030	3,224,305	3,902,819	3,506,673	6,838,401	6,212,786	1,776,887	2,621,214	2,509,344
Assigned	-	-	2,306,399	1,873,841	1,984,545	3,375,175	7,199,741	9,111,720	8,080,541	6,918,933
Unassigned	7,747,379	8,127,236	6,814,073	7,169,004	8,584,059	9,260,735	5,867,423	11,908,855	14,593,095	16,806,937
Total General Fund	10,351,431	11,021,128	12,438,785	13,013,341	14,609,672	19,511,607	19,298,094	22,813,361	25,367,424	26,290,351
All Other Governmental Funds										
Restricted	932,115	752,087	909,305	987,813	1,015,194	1,263,367	1,380,624	1,783,239	1,559,606	1,556,324
Assigned capital funds -	388	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	(481,106)	(494,429)	(494,422)	(353,022)	(494,822)	(371,597)	(371,597)	(494,822)	(1,642,104)	(2,216,043)
Total all other governmental funds	451,397	257,658	414,883	634,791	520,372	891,770	1,009,027	1,288,417	(82,498)	(659,719)
Total	\$ 10,802,828	\$ 11,278,786	\$ 12,853,668	\$ 13,648,132	\$ 15,130,044	\$ 20,403,377	\$ 20,307,121	\$ 24,101,778	\$ 25,284,926	\$ 25,630,632

NOTE:

Fiscal year 2024 General Fund Balance was restated in fiscal year 2025 for the effects of implementing GASB Statement No. 101. Prior year amounts on this schedule have not been adjusted.

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

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes:										
Property	\$ 1,784,387	\$ 1,860,940	\$ 1,900,224	\$ 2,018,270	\$ 2,120,765	\$ 2,247,176	\$ 2,296,219	\$ 2,343,093	\$ 2,394,995	\$ 2,252,515
Sales	794,164	930,123	905,904	951,020	1,054,716	1,218,034	1,344,539	1,379,166	1,499,316	1,543,660
Business and occupational	804,677	735,679	719,089	763,876	812,015	827,597	921,215	965,682	1,069,686	1,062,358
Franchise	74,743	48,750	51,205	49,029	121,306	72,012	74,057	56,885	54,468	65,442
Consumer	181,034	225,029	183,832	232,517	227,433	225,195	236,869	225,707	231,699	240,513
Communication*	-	-	-	-	-	-	-	118,864	112,329	110,332
Virginia personal property tax reduction**	-	-	-	-	-	-	-	-	287,863	287,865
Vehicle	368,894	365,261	375,976	377,554	390,178	378,663	385,138	376,703	390,045	390,394
Bank stock	214,201	237,415	321,606	319,706	251,478	250,993	422,070	435,411	452,027	449,802
Meals and lodging	1,852,221	1,926,177	1,996,490	2,071,821	2,095,034	2,210,625	2,539,705	2,721,483	2,834,628	2,949,238
Other general taxes**	-	-	-	-	-	-	-	-	107,789	123,962
Permits, fees, and licenses	30,739	29,534	40,747	31,695	43,230	30,669	32,485	53,570	48,445	61,022
Fines and forfeitures	160,047	160,643	238,207	290,829	161,939	154,521	128,665	160,141	360,422	603,244
Unrestricted investment earnings	65,457	33,784	63,053	295,260	250,609	34,604	(211,836)	274,442	617,644	578,133
Charges for services	42,257	41,280	55,599	52,077	3,341	23,071	(10,354)	396,882	2,481	3,320
Miscellaneous	62,886	41,272	20,803	3,627	21,548	45,818	43,147	67,065	58,313	2,803
Recovered costs	28,606	6,712	9,379	7,383	9,301	6,556	6,209	14,381	11,074	16,868
Payment in lieu of taxes	403,582	516,858	651,780	730,871	753,655	805,142	780,924	860,071	997,238	901,236
Intergovernmental	8,017,038	10,530,624	7,103,343	9,261,634	3,161,355	8,214,955	3,277,123	3,102,731	3,507,339	3,580,925
Total Revenues	14,884,933	17,690,081	14,637,237	17,457,169	11,477,903	16,745,631	12,266,175	13,552,277	15,037,801	15,223,632
Expenditures										
General government										
Legislative	313,478	252,619	220,857	235,441	199,262	169,258	156,787	184,451	351,092	311,075
Executive	2,121,888	1,999,411	2,117,328	2,066,390	2,022,343	2,044,864	1,855,698	2,238,813	2,227,478	2,557,782
Legal	344,280	333,082	366,770	347,002	513,870	483,386	466,169	330,148	360,976	429,434
Finance	829,531	713,821	825,740	837,058	881,457	887,636	858,753	910,277	1,186,320	1,059,250
Public safety	4,324,556	4,551,997	7,725,090	10,857,703	5,103,063	4,989,546	5,144,468	5,276,445	5,242,418	5,593,526
Planning, zoning, and community development	1,017,748	1,190,229	998,714	891,646	880,546	1,730,175	589,738	652,808	1,297,939	921,448
Public works and engineering	7,695,362	11,042,304	3,952,129	4,516,195	2,967,279	3,256,747	3,277,010	1,958,598	2,550,649	2,626,100
Nondepartmental	498,430	553,160	553,102	552,285	465,585	628,718	556,765	726,638	595,001	647,122
Capital outlay	-	-	-	-	-	-	-	2,687,327	3,098,132	2,963,150
Debt Service										
Principal	-	-	-	44,858	69,917	8,492,576	285,129	292,482	381,242	384,644
Interest	-	-	-	14,454	25,337	144,456	176,510	169,157	255,462	258,033
Cumulative effect of adoption of new GASB standards	-	-	-	-	-	-	-	-	-	129,162
Total Expenditures	17,145,273	20,636,623	16,759,730	20,363,032	13,128,659	22,827,362	13,367,027	15,427,144	17,546,709	17,880,726
Excess of Revenues Over (Under) Expenditures	(2,260,340)	(2,946,542)	(2,122,493)	(2,905,863)	(1,650,756)	(6,081,731)	(1,100,852)	(1,874,867)	(2,508,908)	(2,657,094)

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

Other Financing Sources (Uses)

Transfers in	3,193,645	3,422,500	3,155,000	3,131,000	3,802,980	3,544,756	3,193,192	5,514,912	4,259,780	3,330,000
Transfers out	-	-	-	-	(672,980)	(680,900)	(2,221,725)	(2,385,412)	(1,149,780)	(327,200)
Bond & Loan proceeds	-	-	-	-	-	8,483,001	-	2,450,000	-	-
Litigation forgiveness	-	-	-	-	-	-	-	-	494,822	-
Other sources	-	-	542,375	569,327	2,668	8,207	33,129	90,024	87,234	-
<i>Total Other Financing Sources (Uses)</i>	<u>3,193,645</u>	<u>3,422,500</u>	<u>3,697,375</u>	<u>3,700,327</u>	<u>3,132,668</u>	<u>11,355,064</u>	<u>1,004,596</u>	<u>5,669,524</u>	<u>3,692,056</u>	<u>3,002,800</u>

Net Change in Fund Balance

Net Change in Fund Balance	\$ 933,305	\$ 475,958	\$ 1,574,882	\$ 794,464	\$ 1,481,912	\$ 5,273,333	\$ (96,256)	\$ 3,794,657	\$ 1,183,148	\$ 345,706
Debt Service as a Percentage of Non Capital Expenditures (1)	0.00%	0.00%	0.00%	0.00%	0.78%	40.06%	3.85%	3.62%	4.41%	4.31%

NOTES:

(1) Non Capital expenditures represents total expenditures above less Capital outlay in the reconciliation between government wide statement of activities and the statement of revenues,

* Communication tax and capital outlay were reclassified into its own respective categories effective 2023

** Virginia personal property tax reduction and other general taxes were reclassified into its own respective categories effective 2024

Fiscal year 2024 Governmental funds were restated in fiscal year 2025 for the effects of implementing GASB Statement No. 101. The cumulative effect of the adoption is shown an individual line item on the schedule. Prior period amounts were not adjusted.

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

Fiscal Year	Real Property					Personal Property				
	Commercial Residential Property	Public Service	Total Assessed Value	Estimated Actual Value	Direct Tax Rate	Motor Vehicles	Business Equipment	Other	Total Assessed Value	Direct Tax Rate
2016	1,158,897,600	16,506,850	1,175,404,450	1,175,404,450	0.130	94,765,055	17,492,560	2,108,235	114,365,850	0.640
2017	1,164,489,300	15,107,880	1,179,597,180	1,179,597,180	0.135	95,158,655	17,429,905	3,412,700	116,001,260	0.640
2018	1,168,609,100	15,861,850	1,184,470,950	1,184,470,950	0.135	97,468,645	19,249,730	3,196,990	119,915,365	0.640
2019	1,306,118,700	14,571,700	1,320,690,400	1,320,690,400	0.135	103,831,560	19,120,860	3,221,465	126,173,885	0.640
2020	1,314,249,800	15,400,880	1,329,650,680	1,329,650,680	0.130	104,788,430	19,223,250	3,148,270	127,159,950	0.640
2021	1,328,341,000	14,902,800	1,343,243,800	1,343,243,800	0.130	117,397,705	20,439,550	2,678,360	140,515,615	0.640
2022	1,415,636,500	16,605,300	1,432,241,800	1,432,241,800	0.130	155,351,680	21,838,290	7,932,035	185,122,005	0.640
2023	1,798,660,621	16,745,300	1,815,405,921	1,815,405,921	0.100	137,567,090	22,340,855	8,090,820	167,998,765	0.640
2024	1,829,894,000	17,329,900	1,847,223,900	1,847,223,900	0.100	141,235,050	24,451,800	6,212,685	171,899,535	0.640
2025	2,248,113,500	16,795,600	2,264,909,100	2,234,909,120	0.068	137,776,610	26,380,570	4,049,600	168,206,780	0.640

Source: Warren County Property Assessor's Office

Town of Front Royal, Virginia
 Direct and Overlapping Property Tax Rates
 (Per \$100 of Assessed Value)
 Last Ten Years
Schedule 7

Fiscal Year	Town Direct Rates				Overlapping Rates				Total Direct and Overlapping Rates			
	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Real Estate	Personal Property	Machinery Tools	Mobile Homes	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
2016	0.130	0.640	0.640	0.130	0.620	4.000	1.950	0.595	0.750	4.640	2.590	0.725
2017	0.135	0.640	0.640	0.135	0.650	4.000	1.950	0.650	0.785	4.640	2.590	0.785
2018	0.135	0.640	0.640	0.135	0.660	4.000	2.050	0.660	0.795	4.640	2.690	0.795
2019	0.135	0.640	0.640	0.135	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2020	0.130	0.640	0.640	0.130	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2021	0.130	0.640	0.640	0.130	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2022	0.130	0.640	0.640	0.130	0.655	4.000	2.050	0.655	0.790	4.640	2.690	0.790
2023	0.100	0.640	0.640	0.100	0.555	3.160	2.050	0.655	0.655	3.800	2.690	0.755
2024	0.100	0.640	0.640	0.100	0.530	4.280	2.170	0.530	0.630	4.920	2.810	0.630
2025	0.068	0.640	0.640	0.100	0.479	4.280	2.170	0.479	0.479	4.920	2.810	0.479

Source: Town of Front Royal and Warren County

Town of Front Royal, Virginia
Principal Property Tax Payers
Current Year and 2016
Schedule 8

2025			2016		
Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Shenandoah Realty Holdings LLC	\$ 29,723,200	1.33%	Boisseau Family, L.C.	\$ 18,333,700	1.56%
Morton Thalhimier Inc.	21,194,400	0.95%	Gateway Plaza Shopping Center	8,313,500	0.71%
Shenandoah Commons Apartments LLC	12,456,300	0.56%	Shenandoah Square LP	7,948,200	0.68%
Invesque Inc.	12,241,600	0.55%	Royal Arms Associates	7,050,000	0.60%
Aston Properties	11,176,200	0.50%	HWA Enterprises	6,216,600	0.53%
Royal Arms Associates	8,181,200	0.37%	HLI Endowment Inc.	6,148,600	0.52%
F&R Limited Partnership	7,499,400	0.34%	Ramsey Inc.	5,308,900	0.45%
Jackson Furniture	7,340,000	0.33%	F&R Limited Partnership	4,837,900	0.41%
HWA Enterprises	6,821,700	0.30%	MCAP Southerlands LLC	4,747,900	0.40%
HLI Endowment Inc.	6,667,000	0.30%	Corry Family Real Estate LLC	4,698,900	0.40%
Total	\$ 123,301,000	5.51%		\$ 73,604,200	6.26%

Source: Warren County Property Assessor's Office

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Subsequent Tax Collections	Total Tax Collections	Total Collection as Percent of Current Levy
2016	2,119,854	1,067,015	50.33%	1,047,607	2,114,622	99.75%
2017	2,253,175	1,158,124	51.40%	996,810	2,154,934	95.64%
2018	2,342,677	1,243,129	53.06%	995,716	2,238,845	95.57%
2019	2,544,157	1,299,343	51.07%	1,125,149	2,424,492	95.30%
2020	2,482,110	1,161,873	46.81%	1,166,595	2,328,468	93.81%
2021	2,251,758	1,373,473	61.00%	706,540	2,080,013	92.37%
2022	2,554,803	1,106,225	43.30%	1,212,029	2,318,254	90.74%
2023	2,847,467	1,447,317	50.83%	1,143,771	2,591,088	91.00%
2024	2,893,570	1,455,435	50.30%	1,087,797	2,543,232	87.89%
2025	2,591,304	1,291,965	49.86%	-	1,291,965	49.86%

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

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

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

Fiscal Year	Governmental Activities				Business Type Activities			Total Primary Government	Personal Income(1)	Debt to Personal Income	Population(1)	Debt Per Capita
	Notes Payable	Lease Liability	SBITA Liability	General Obligation Bonds	Notes Payable	Lease Liability	General Obligation Bonds					
2016	-	-	-	-	-	-	32,121,015	32,121,015	723,276,000	4.31%	14,709	2,184
2017	-	-	-	-	-	-	46,677,491	46,677,491	727,056,000	6.42%	15,153	3,080
2018	3,224,745	-	-	-	-	-	47,534,476	50,759,221	729,179,000	6.96%	15,006	3,383
2019	9,125,347	-	-	-	158,606	-	45,256,686	54,540,639	755,433,000	7.22%	15,221	3,583
2020	9,055,429	-	-	-	123,186	-	40,667,387	49,846,002	778,096,000	6.41%	15,053	3,311
2021	8,973,754	-	-	-	87,802	-	37,948,088	47,009,644	785,877,000	5.98%	15,382	3,056
2022	8,688,626	-	-	-	52,418	-	35,183,790	43,924,834	793,736,000	5.53%	15,214	2,887
2023	8,396,144	-	61,185	2,450,000	17,034	-	32,381,896	43,306,259	957,524,305	4.52%	15,263	2,837
2024	8,094,705	76,843	31,192	2,370,196	-	456,018	29,544,999	40,573,953	966,119,000	4.20%	15,400	2,635
2025	7,792,483	54,503	-	2,287,774	-	399,509	26,673,105	37,207,374	1,001,543,075	3.72%	15,643	2,379

NOTES:

(1) Source: U.S. Census Bureau

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

Fiscal Year	General Obligation Bonds		Total Primary Government	Assessed Value	Percentage of Actual Taxable Value of Property	Population	Per Capita
	Governmental Activities	Business-Type Activities					
2016	-	32,121,015	32,121,015	1,289,770,300	2.49%	14,709	2,184
2017	-	46,677,491	46,677,491	1,295,598,440	3.60%	15,153	3,080
2018	-	47,534,476	47,534,476	1,304,386,315	3.64%	15,006	3,168
2019	-	45,256,686	45,256,686	1,446,864,285	3.13%	15,221	2,973
2020	-	40,667,387	40,667,387	1,456,810,630	2.79%	15,053	2,702
2021	-	37,948,088	37,948,088	1,483,759,415	2.56%	15,382	2,467
2022	-	35,183,790	35,183,790	1,617,363,805	2.18%	15,214	2,313
2023	2,450,000	32,381,896	34,831,896	1,983,404,686	1.76%	15,263	2,282
2024	2,370,196	29,544,999	31,915,195	2,019,123,435	1.58%	15,400	2,072
2025	2,287,774	26,673,105	28,960,879	2,433,115,880	1.19%	15,643	1,851

Town of Front Royal, Virginia
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2025
Schedule 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Warren County	\$ 98,321,776		
Warren County School Board	<u>90,679,776</u>		
Subtotal, overlapping debt	<u>189,001,552</u>	49%	92,610,760
Town of Front Royal (direct debt)*	<u>10,134,760</u>	100%	<u>10,134,760</u>
Total direct and overlapping debt			<u><u>\$ 102,745,520</u></u>

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

Town of Front Royal, Virginia
Legal Debt Margin Information
Last Ten Years
Schedule 13

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	\$ 117,540,445	\$ 117,959,718	\$ 118,447,095	\$ 132,069,040	\$ 132,965,068	\$ 134,324,380	\$ 143,224,180	\$ 181,540,592	\$ 181,674,150	\$ 223,673,990
Net debt applicable to limit	-	-	3,224,745	9,125,347	9,055,429	8,973,755	8,688,626	10,846,144	11,028,954	10,534,269
Legal debt margin	<u>\$ 117,540,445</u>	<u>\$ 117,959,718</u>	<u>\$ 115,222,350</u>	<u>\$ 122,943,693</u>	<u>\$ 123,909,639</u>	<u>\$ 125,350,625</u>	<u>\$ 134,535,554</u>	<u>\$ 170,694,448</u>	<u>\$ 170,645,196</u>	<u>\$ 213,139,721</u>
Net debt applicable to the limit as the percent of the debt limit	0%	0%	3%	7%	7%	7%	6%	6%	6%	5%

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

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

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2016	29,902,189	20,550,341	9,351,848	680,000	508,966	1,188,966	7.87
2017	30,071,422	20,578,114	9,493,308	665,000	484,321	1,149,321	8.26
2018	31,995,386	23,716,216	8,279,170	1,719,440	448,525	2,167,965	3.82
2019	33,859,408	24,316,988	9,542,420	2,756,573	416,565	3,173,138	3.01
2020	32,305,367	22,073,859	10,231,508	4,534,300	428,379	4,962,679	2.06
2021	32,534,982	21,301,319	11,233,663	2,684,264	288,162	2,972,426	3.78
2022	31,806,308	22,472,326	9,333,982	2,719,265	260,176	2,979,441	3.13
2023	34,673,593	23,020,365	11,653,228	2,744,264	226,126	2,970,390	3.92
2024	35,393,922	24,122,290	11,271,632	2,743,882	97,917	2,841,799	3.97
2025	36,411,167	25,716,068	10,695,099	2,928,403	106,418	3,034,821	3.52

(1) Gross revenue includes operating revenues and investment earnings

(2) Total operating expenses exclusive of depreciation

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

Year	Estimated Population	Personal Income (in thousands)	Household Median Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2016	14,709	723,276	46,609	DNA	DNA	DNA	5,325	4.80%
2017	15,153	727,056	47,981	24,733	40	DNA	5,433	3.80%
2018	15,006	729,179	48,270	17,907	39	12	5,136	3.80%
2019	15,221	755,433	49,631	25,361	38	12	5,385	3.10%
2020	15,053	778,096	52,717	26,051	37	12	5,298	7.50%
2021	15,382	785,877	51,871	25,832	37	12	5,372	4.70%
2022	15,214	793,736	51,675	27,142	38	12	5,161	3.50%
2023	15,263	957,524	62,735	30,837	38	12	5,165	4.60%
2024	15,400	966,119	62,735	30,837	41	12	5,165	4.10%
2025	15,643	1,001,543	64,025	40,272	38	12	5,392	3.50%

*Median age and education level only available in census years

Source: Town of Front Royal and Warren County School Board

DNA - Data not available

Town of Front Royal, Virginia
Principal Employers
Current Year and 2016
Schedule 16

2025			2016		
Employer	Employees	% of Total	Employer	Employees	% of Total
Warren County School Board	750-1000	13%	Warren County School Board	1,000	13%
Valley Health System	500-750	10%	Valley Health System	750	10%
Warren County	500-600	6%	Warren County	500	6%
Walmart	300-450	6%	Walmart	450	6%
Ferguson Enterprises, Inc.	300-450	5%	Ferguson Enterprises, Inc.	250	3%
Family Dollar Services	300-450	5%	Interbake Foods, LLC	350	5%
Sysco Resources Services LLC	300-450	4%	Family Dollar Services	350	5%
Axalta Coatings Systems USA LLC	300-450	3%	Baugh Northeast	300	4%
Interbake Foods, LLC	100-350	3%	Axalta	250	3%
Christendom College	100-350	2%	Town of Front Royal	175	2%

Source: Estimates from the Virginia Employment Commission

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

Years ended June 30,	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
General Government	38	38	39	44	44	40	41	43	44	44
Police Protection	51	52	53	52	52	52	53	53	54	54
Highway - Streets	16	16	15	15	15	15	15	15	15	15
Sanitation	14	12	15	13	13	13	12	12	12	12
Water	18	18	18	17	18	17	16	16	17	18
Sewer	17	17	17	16	17	17	16	16	17	17
Electrical	17	17	17	17	17	17	16	15	15	15
Total	171	170	174	174	176	171	169	170	174	175

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

Years ended June 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Public Safety										
Police										
Physical arrests	837	952	1,414	1,067	1,030	948	900	1,003	1,071	881
Parking violations	64	154	133	158	212	163	195	233	225	189
Traffic violations	2,239	2,394	3,922	3,854	2,547	2,354	1,674	1,882	2,739	2,208
Wastewater										
New service connections	52	80	75	45	31	54	31	19	24	42
Average daily treatment in gallons	4,265,000	4,000,000	4,504,000	4,481,480	3,882,750	4,328,000	5,300,000	4,473,000	4,417,000	4,118,000
Water System										
New connections	51	78	75	45	30	53	30	18	23	41
Average daily consumption	1,868,000	1,736,000	1,783,000	1,965,000	1,873,000	1,804,000	1,848,000	1,195,000	1,947,000	2,223,000
Electric Distribution										
New Connections	26	23	26	26	28	38	20	24	38	56
Average daily KWH consumption	523,681	535,984	568,064	554,085	511,463	520,665	525,872	465,605	573,233	568,773
Sanitation										
Refuse collected (tons/day)	24	46	56	42	22	25	23	25	24	24
Recyclables collected (tons/day)	1.73	1.73	1.65	1.82	2.36	1.29	1.40	1.31	1.32	1.39
Highway and Streets										
Repair services	176	272	226	252	217	135	127	97	110	94
Street resurfacing (miles)	3.00	1.40	1.03	1.30	0.91	-	1.68	4.50	1.15	2.12

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

Years ended June 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Public Safety										
Police										
Stations	2	2	2	1	1	1	1	1	1	1
Patrol Units	25	26	26	38	38	27	24	26	26	25
Fire Stations	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	132	132	137	137	138	138	144	144	68	68
Streetlights	1,871	1,969	1,975	1,977	1,976	1,978	1,981	1,977	1,977	1,977
Traffic signals	14	16	16	15	16	16	16	16	16	16
Culture and Recreation										
Community centers	2	2	2	2	2	2	2	2	2	1
Parks	20	23	23	23	20	20	20	20	20	20
Park acreage	400	400	400	400	400	400	400	400	400	400
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Pickelball courts	-	-	-	-	-	-	-	-	-	4
Sewer System										
Sanitary sewers (miles)	198	124	124	124	124	124	124	124	124	124
Storm sewers (miles)	92	92	92	92	92	92	92	92	92	92
Treatment plants	1	1	1	1	1	1	1	1	1	1
Max daily capacity	5,000,000	6,520,000	5,300,000	5,300,000	5,300,000	5,300,000	5,300,000	5,300,000	5,300,000	5,300,000
Water System										
Facilities	1	1	1	1	1	1	1	1	1	1
Fire Hydrants	687	712	712	722	724	737	739	753	755	756
Max daily capacity	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Electric System										
Service lines (miles)	145	151	152	152	159	159	159	160	161	162
Distribution stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection Trucks	8	8	8	6	6	5	5	5	5	5