TOWN OF DAMASCUS

Damascus, Virginia

ANNUAL FINANCIAL REPORT

June 30, 2025

-CONTENTS-

	Pages(s)
Financial Section	
Independent Auditor's Report	1-3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to the Financial Statements	10 – 19
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Fund	20
Supplementary Information	
Schedule of Expenditures of Federal Awards (Unaudited)	21
Notes to the Schedule of Expenditures of Federal Awards (Unaudited)	22
Statistical Section	
General Government Revenues by Source – Last Ten Fiscal Years	23
General Government Expenditures by Function – Last Ten Fiscal Years	24
Property Tax Levies, Collections and Assessed Values – Last Ten Fiscal	25
Compliance Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	26 – 27
Schedule of Findings and Questioned Costs	28

FINANCIAL SECTION

OWENS
CPA & ASSOCIATES PC

C. Todd Owens, CPA

Certified Public Accountants and Consultants
Virginia Society of Certified Public Accountants
American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of Town Council
Town of Damascus, Virginia
Damascus, Virginia 24236

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Damascus, 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, and each major fund, of the Town as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Change in Accounting Principle

As describer in Note 1 to the financial statements, in 20025, the Town adopted new accounting guidance, GASB Statement 101, Compensated Absences. Our opinion is not modified with respect to this matter.

17339 Riverside Drive, Suite B, Post Office Box 10, Vansant, Virginia 24656
Telephone: (276) 935-7351, Fax: (276) 935-7446

Responsibilities of Management for the Financial Statements

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

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 Responsibility 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 opinion. 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents 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 financial information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2026, on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.

Owens CPA & Associates, PC

Owens CPA & Associates, P.C.
June 19, 2026

BASIC FINANCIAL STATEMENTS

TOWN OF DAMASCUS, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,373,932	$ -	$ 1,373,932
Taxes receivable, net	113,554	-	113,554
Receivables, net	52,010	-	52,010
Receivable grant funds - Virginia Tourism Commission	80,280	-	80,280
Prepaid expenses	20,576	-	20,576
Due from (to) funds	(11,224)	-	(11,224)
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	767,716	-	767,716
Depreciable:			
Buildings	1,286,525	-	1,286,525
Improvements and infrastructure	361,466	-	361,466
Machinery and equipment	1,174,841	-	1,174,841
Less: accumulated depreciation	(2,130,820)	-	(2,130,820)
Total assets	3,088,856	-	3,088,856
LIABILITIES			
Current liabilities:			
Accounts payable	$ 24,092	$ -	$ 24,092
Accrued liabilities	50,436	-	50,436
Unearned Revenue - ARPA funds	353,372	-	353,372
Current portion of long-term debt	9,506	-	9,506
Total liabilities	437,406	-	437,406
NET POSITION			
Invested in capital assets, net of related debt	1,450,222	-	1,450,222
Restricted	94,370	-	94,370
Unrestricted	1,106,858	-	1,106,858
Total net position	$ 2,651,450	$ -	$ 2,651,450

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

TOWN OF DAMASCUS, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Primary government:							
Governmental Activities:							
General government	$ 820,810	$ 78,085	$ 264,955	400,705	$ (77,065)	$ -	$ (77,065)
Public safety	394,343	5,848	293,527	-	(94,968)	-	(94,968)
Public works	571,571	-	1,838	-	(569,733)	-	(569,733)
Cultural and recreation	163,854	238,090	7,897	-	82,133	-	82,133
Community development	89,203	-	-	174,002	84,799	-	84,799
Total governmental activities	2,039,781	322,023	568,217	574,707	(574,834)	-	(574,834)
Total business-type activities	-	-	-	-	-	-	-
Total primary government	$ 2,039,781	$ 322,023	$ 568,217	$ 574,707	(574,834)	-	(574,834)
General revenues:							
Property taxes					342,817	-	342,817
Meals tax					202,220	-	202,220
Sales tax					70,401	-	70,401
Lodging tax					106,020	-	106,020
Utility tax					29,353	-	29,353
Cigarette tax					36,796	-	36,796
Other taxes					32,255	-	32,255
Unrestricted investment earnings					54,646	-	54,646
Gain on sale of assets					36,000	-	36,000
Miscellaneous					14,940	-	14,940
Penalties and interest collected					4,487	-	4,487
Total general revenues					929,935	-	929,935
Change in net position					355,101	-	355,101
Net position - beginning					2,296,349	-	2,296,349
Net position - ending					$ 2,651,450	$ -	$ 2,651,450

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

TOWN OF DAMASCUS, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General	Health Insurance Premium	Community Development Program	American Rescue Plan Act Fund	Disaster Relief Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 726,344	$ 50,566	$ 13,549	$ 353,372	$ 230,101	$ 1,373,932
Receivables (Net of allowance for uncollectable):						
Taxes	113,554	-	-	-	-	113,554
Accounts	52,010	-	-	-	-	52,010
Grants	80,280	-	-	-	-	80,280
Prepaids	20,576	-	-	-	-	20,576
Due from (to) funds	349,200	-	-	-	(360,424)	(11,224)
Total assets	$ 1,341,964	$ 50,566	$ 13,549	$ 353,372	$ (130,323)	$ 1,629,128
Liabilities:						
Accounts payable	$ 24,092	$ -	$ -	$ -	$ -	$ 24,092
Accrued liabilities	50,436	-	-	-	-	50,436
Unearned Revenue - ARPA	-	-	-	353,372	-	353,372
Total liabilities	74,528	-	-	353,372	-	427,900
Fund Balance						
Restricted	30,255	50,566	13,549	-	-	94,370
Assigned	849,576	-	-	-	(130,323)	719,253
Unassigned	387,605	-	-	-	-	387,605
Total fund equity	1,267,436	50,566	13,549	-	(130,323)	1,201,228
Total liabilities and fund balance	$ 1,341,964	$ 50,566	$ 13,549	$ 353,372	$ (130,323)	$ 1,629,128

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

TOWN OF DAMASCUS, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2025

Total fund balances on the governmental fund's balance sheet	$ 1,201,228
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in government activities are not financial resources and therefore not reported in the funds.	1,459,728
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,506)
Net position of governmental activities	$ 2,651,450

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

TOWN OF DAMASCUS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

	General	Health Insurance Premium	Community Development Program	American Rescue Plan Act Fund	Disaster Relief Fund	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	$ 346,845	$ -	$ -	$ -	$ -	$ 346,845
Meals tax	202,220	-	-	-	-	202,220
Sales tax	70,401	-	-	-	-	70,401
Lodging tax	106,020	-	-	-	-	106,020
Utility tax	29,353	-	-	-	-	29,353
Cigarette tax	36,796	-	-	-	-	36,796
Other taxes	32,255	-	-	-	-	32,255
Licenses	78,085	-	-	-	-	78,085
Intergovernmental:					-	
Federal - CDBG funding	22,417	-	-	-	-	22,417
Federal - IRA-UCF	85,402	-	-	-	-	85,402
Federal - FEMA funding	-	-	-	-	130,494	130,494
State	76,869	-	-	-	19,907	96,776
Local	7,897	-	-	230,176	216,207	454,280
Non-governmental grant funding	88,600	-	-	-	-	88,600
Charges for services	238,090	-	-	-	-	238,090
Fines and forfeits	5,848	-	-	-	-	5,848
Flood insurance reimbursement	264,955	-	-	-	-	264,955
Miscellaneous	14,940	-	-	-	-	14,940
Total revenues	1,706,993	-	-	230,176	366,608	2,303,777
EXPENDITURES						
Current:						
General government	649,064	-	-	-	146,703	795,767
Public safety	352,363	-	-	-	15,127	367,490
Public works	217,955	-	-	-	329,441	547,396
Cultural and recreation	153,996	-	-	-	12,797	166,793
Community development	89,203	-	-	-	-	89,203
Total expenditures	1,462,581	-	-	-	504,068	1,966,649
Excess (deficiency) of revenues over expenditures	244,412	-	-	230,176	(137,460)	337,128
OTHER FINANCING SOURCES (USES):						
Penalties and interest collected	4,487	-	-	-	-	4,487
Proceeds from sale of property	36,000	-	-	-	-	36,000
Retirement of principal debt	(9,292)	-	-	-	-	(9,292)
Interest and investment earnings	23,550	2,360	-	21,599	7,137	54,646
Interest paid on debt	(1,020)	-	-	-	-	(1,020)
Transfer in (out) (NOTE 12)	251,775	-	-	(251,775)	-	-
Total other financing sources (uses)	305,500	2,360	-	(230,176)	7,137	84,821
Net change in fund balances	549,912	2,360	-	-	(130,323)	421,949
Fund balances - beginning	717,524	48,206	13,549	-	-	779,279
Fund balances - ending	$ 1,267,436	$ 50,566	$ 13,549	$ -	$ (130,323)	$ 1,201,228

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

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

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

Net change in fund balances - total governmental funds		$ 421,949
Revenues in the Statement of Activities that do not provide current financial resources are reported as revenue in the funds:		
Add current year deferred property tax revenue	$ -	
Subtract last year's deferred property tax revenue	(4,028)	(4,028)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded net depreciation exceeded in the current period.		
Capital outlays	5,195	
Depreciation expenses	(77,307)	(72,112)
The issuance of long-term debt (e.g., loans, bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal repayments	9,292	9,292
Change in net assets of governmental activities		$ 355,101

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Damascus, Virginia (Town) is a municipal corporation governed by an elected six-member council. The accompanying financial statements present the Town and its component units, entities for which the Town is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town of Damascus, Virginia has determined that it has no component units.

The services provided by the Town and accounted for within these financial statements include law enforcement for the Town, health and sanitation services, and other governmental services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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, privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Interest on long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and collectible. 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 available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collectable 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 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 and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenue 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 expenditures. 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 Town.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

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

The *Health Insurance Fund* was established by resolution on December 5, 2016. These funds shall be used solely to offset health insurance premium expenses incurred by or on behalf of the Town's present and future employees.

The *Program Fund* is used to account for special programs and/or projects of the Town.

The Town does not have any major proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 program revenues. Likewise, general revenues include all taxes.

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

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of the acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Trade Receivables

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Property Tax Receivable

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien as of January 1. Real estate taxes are payable twice per year, in two installments on May 15th and November 15th. Personal property taxes are due and collectible annually on November 15th. The Town bills and collects its own taxes.

3. Allowance for Uncollectible Accounts

The Town calculates it allowance for uncollectible accounts using historical collection data, and, in certain cases, specific account analysis.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Use of Estimates

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

6. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of $5,000 for machinery and equipment, $25,000 for land, and $100,000 for buildings with an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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. No interest was capitalized during the current or previous year.

Capital assets of the primary government, as well as any component unit, are depreciated using the straight-line method over the following estimated useful lives:

Building, improvements, and infrastructure	40 years
Vehicles, machinery, and equipment	5 - 10 years

7. Compensated Absences

The Town recognizes a liability for compensated absences that includes amounts for leave that are attributable to services already rendered, that accumulates and is more likely than not to be used for time off or otherwise paid or settled. The liability for compensated absences is measured using employees' pay rates in effect as of the financial statement date. The liability also includes any salary-related payments that are directly and incrementally associated with payments for leave. Certain types of leave, such as parental leave, military leave, and jury duty leave, are not recognized until the leave commences. Additionally, leave expected to be converted to defined benefit postemployment benefits is excluded from this liability.

8. Long-Term Obligations

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

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 other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

There were no deferred outflows/inflows of resources at year end.

10. Fund Equity

The Town follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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.

11. Net Position

The Authority's financial statements are being presented in conformance with provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* (GASB 63). As required by GASB 63, the Authority has classified net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications of Net Position are defined as follows:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations or other governments; or (2) law through constitutional provisions or enabling legislation. At year end, there were no Restricted Net Positions.

Unrestricted - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Generally, this represents those financial resources that are available to the Authority to meet any future obligations that might arise.

12. Adoption of New Accounting Principle

Effective July 1, 2024, the Town adopted Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences.* This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Adoption did not result in material changes requiring restatement.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the Council develops a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizens' comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Town's council. The Town's treasurer is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All budget data presented in the accompanying financial statement are from the revised budget as of June 30.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Excess Appropriations Over Expenditures

For the year ended June 30, 2025, appropriations exceeded expenditures by $308,657 in the general fund principally due to total capital projects that were budgeted, but not completed or started.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

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

B. Receivables

Receivables at year end for the Town's individual major fund are as follows:

	Accounts	Taxes	Grants	Total
Receivables	$ 52,010	$ 124,629	$ 80,280	$ 256,919
Less: Allowance for uncollectable	-	(11,075)	-	(11,075)
Net total receivables	$ 52,010	$ 113,554	$ 80,280	$ 245,844

As of June 30, 2025, the Town did not recognize any deferred tax revenue for real and personal property taxes not collected within 45 days after fiscal year end.

Governmental funds report deferred inflows of resources 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 deferred inflows of resources (unavailable revenue) and unearned revenue reported in the governmental activities and funds were as follows:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
ARPA Funds:		
Unearned revenue	$ 353,372	$ 353,372

C. Capital Assets and Depreciation

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

Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 767,716	$ -	$ -	$ 767,716
Total capital assets not being depreciated	767,716	-	-	767,716
Capital assets, being depreciated:				
Buildings and improvements	1,647,991	-	-	1,647,991
Machinery and equipment	1,229,156	5,195	(59,510)	1,174,841
Total accumulated depreciation	(2,113,023)	(77,307)	59,510	(2,130,820)
Total capital assets being depreciated, net	764,124	(72,112)	-	692,012
Governmental activities, capital assets, net	$ 1,531,840	$ (72,112)	$ -	$ 1,459,728

Depreciation expense was charged to programs/functions of the primary government as follows:

Governmental activities:	
General government	$ 24,023
Public safety	26,853
Public works	24,175
Cultural and recreation	2,256
Total depreciation expense-govermnental activities	$ 77,307

D. Long-Term Debt

Activity for the year ended June 30, 2025, was as follows:

Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amounts Due Within One Year
$ 18,798	$ -	$ (9,292)	$ 9,506	$ 9,506

The Town's long-term debt consists of the following at June 30, 2025:

$50,000 unsecured line of credit with The Bank of Marion, 8.0% interest rate. Interest and principal are due at maturity. Maturity date is April 9, 2026.	$ -
$75,000 line of credit with Mount Rogers Planning District Commission, 3% interest rate. Secured by deed-of-trust. Monthly payment of $516 matures June 2026.	9,506
Total	9,506
Less Amount due currently	9,506
Long-term portion	$ -

Future maturities are as follows:

For the Year Ending June 30,	Principal	Interest
2026	$ 9,506	$ 78
	$ 9,506	$ 78

NOTE 4 – RETIREMENT

The Town of Damascus, Virginia has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b). The plan is set up into separate accounts for each employee; therefore, it is not an asset of the Town. Matching contributions are made to the plan by the Town based on the employee's contribution for each eligible employee. These contributions range from 3% to 5% of the employee's compensation. Contributions made to the deferred plan by the Town were $12,767 for the fiscal year end June 30, 2025. The value of the plan on June 30, 2025, was $142,873.

NOTE 5 – RESTRICTED NET POSITION AND COMMITTED/ASSIGNED FUND BALANCES

		Governmental/Internal Service Funds		
Governmental Activities:	Governmental Activities	General Fund	Health Insurance Premium	Program
Restricted:				
Sewer project	$ 30,255	$ 28,843	$ -	$ -
Health insurance premium	50,566	-	50,566	-
Programs	13,549	-	-	13,549
Total restricted balances	$ 94,370	$ 28,843	$ 50,566	$ 13,549

Governmental Funds:	Governmental Funds
Assigned funds:	General Fund
Reserve	$ 62,239
Police department - vehicle	527
Working capital	413,989
Trail days	8,580
Disaster relief funds	233,918
Total assigned funds	$ 719,253

NOTE 6 – INTERFUND OBLIGATIONS

Interfund transfers consist of the following:

Transfer In	Transfer Out	Amount
General Fund		$ 251,775
	ARPA Fund	(251,775)
		$ -

Transfer was made from ARPA Fund to the General Fund to provide funding for payroll.

NOTE 7 - OTHER INFORMATION

A. Commitments and Contingent Liabilities

It is the opinion of the Town's management and legal counsel that there are not any outstanding or pending litigation, claims, or assessments against the Town which could have a material effect on the Town's financial statements.

B. Compensated Absences

The Town recognized an accrued liability for compensated absences and annual leave in the amount of $9,120 on June 30, 2025.

C. Risk Management

The Town is a member of the Virginia Association of Counties Group Self-Insurance Risk Pool (VACORP) for all risk of loss.

Each member of the risk pool jointly and severally agrees to assume, pay, and discharge any liability. The Town pays VACORP contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of loss deficit and depletion of all available excess insurance, the League may assess all members in the proportion which the premium of each bear to the total premiums of all members in the year in which such deficits occur.

D. Subsequent Events

Management has evaluated other events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 19, 2026, the date of which the financial statements were available to be issued. Management has determined there are no other events or transactions that have transpired which require disclosure.

E. New Accounting Standards

In April 2024, the GASB issued **Statement No. 103**, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability as well as addressing certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY SCHEDULES

TOWN OF DAMASCUS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES			
Taxes:			
Property taxes	$ 281,055	$ 346,845	$ 65,790
Meals tax	185,000	202,220	17,220
Sales tax	73,185	70,401	(2,784)
Lodging tax	99,750	106,020	6,270
Utility tax	29,500	29,353	(147)
Cigarette tax	37,878	36,796	(1,082)
Other taxes	30,425	32,255	1,830
Licenses	77,500	78,085	585
Intergovernmental:			
Federal - CDBG funding	10,000	22,417	12,417
Federal - IRA-UCF	57,697	85,402	27,705
State	72,249	76,869	4,620
Local	7,897	7,897	-
Non-governmental grant funding		88,600	88,600
Charges for services	192,250	238,090	45,840
Fines and forfeits	12,586	5,848	(6,738)
Flood insurance reimbursement	-	264,955	264,955
Miscellaneous	9,100	14,940	5,840
Total revenues	1,176,072	1,706,993	530,921
EXPENDITURES			
General government	596,875	649,064	(52,189)
Public safety	402,398	352,363	50,035
Public works	417,710	217,955	199,755
Cultural and recreation	184,926	153,996	30,930
Community development	77,700	89,203	(11,503)
Total expenditures	1,679,609	1,462,581	217,028
Deficiency of revenues over expenditures	(503,537)	244,412	747,949
OTHER FINANCING SOURCES (USES):			
Penalties and interest collected	11,500	4,487	(7,013)
Surplus property / Proceeds from sale of property	-	36,000	36,000
Retirement of principal debt	-	(9,292)	(9,292)
Interest and investment earnings	15,484	23,550	8,066
Interest paid	-	(1,020)	(1,020)
Transfers in (out)	-	251,775	251,775
Reserve	476,553	-	(476,553)
Total other financing sources (uses)	503,537	305,500	(198,037)
Net change in fund balance	-	549,912	549,912
Fund balance - beginning	-	717,524	717,524
Fund balance - ending	$ -	$ 1,267,436	$ 1,267,436

SUPPLEMENTARY INFORMATION SECTION

TOWN OF DAMASCUS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (UNAUDITED)
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Program Title	Federal Award Pass Through Entity	Assistance Listing Number	Project Number	Expenditures
Department of Housing and Urban Development:				
Community Block Development Program	Virginia Department of Housing and Community Development	14.218	120928	$ 22,417
Department of Agriculture:				
Inflation Reduction Act - Urban & Community Forestry Program	Virginia Department of Forestry	10.727	123683	85,402
Department of Homeland Security - Federal Emergency Management Agency:				
Disaster Aid & Recovery -	Virginia Department of Emergency Management	97.036	126434	130,494
Total Expenditures of Federal Awards				$ 238,313

See accompanying notes to the schedule of expenditures of federal awards.

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activities of the federal financial assistance programs of the Town of Damascus, Virginia.

(2) Basis of Accounting

The Schedule is presented using the accrual basis of accounting.

(3) De Minimus Cost Rate

The auditee has not elected to use the 10% de minimus indirect cost rate as discussed in Uniform Guidance Section 200.414

STATISTICAL SECTION

TOWN OF DAMASCUS, VIRGINIA
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	General Property Taxes	Other Local Taxes	Fines and Forfeitures	Revenues From Use of Money and Property	Charges for Services	Miscellaneous and other funding	Inter governmental	Total
2025	$ 351,332	$ 555,130	$ 5,848	$ 59,550	$ 238,090	$ 368,495	$ 444,360	$ 2,022,805
2024	279,326	641,234	6,004	33,727	231,794	18,085	629,271	1,839,441
2023	301,429	586,813	8,445	3,711	161,495	10,605	435,071	1,507,569
2022	322,832	535,892	8,289	4,980	93,816	12,276	299,972	1,278,057
2021	269,828	483,151	5,929	4,222	69,254	30,102	1,851,962	2,714,448
2020	266,472	432,396	5,692	22,474	47,863	7,381	182,783	965,061
2019	263,097	472,447	12,551	114,451	116,251	16,577	380,809	1,376,183
2018	293,848	432,155	6,628	4,526	95,797	28,412	130,893	992,259
2017	264,750	447,337	1,573	2,963	94,041	60,454	342,546	1,213,664
2016	271,804	425,980	7,508	9,824	95,696	30,481	95,331	936,624
	$ 2,884,718	$ 5,012,535	$ 68,467	$ 260,428	$ 1,244,097	$ 582,868	$ 4,792,998	$ 14,846,111

TOWN OF DAMASCUS, VIRGINIA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation and Cultural	Community Development	Debt Service	Total
2025	$ 649,064	$ 352,363	$ 217,955	$ 153,996	$ 89,203	$ 10,312	$ 1,472,893
2024	812,019	427,190	269,802	216,689	88,286	13,292	1,827,278
2023	762,754	285,646	145,533	179,289	77,268	16,823	1,467,313
2022	516,591	266,861	171,244	42,236	36,429	16,823	1,050,184
2021	1,758,644	263,184	171,244	42,236	36,429	14,240	2,285,977
2020	404,029	309,092	279,634	32,789	38,345	20,916	1,084,805
2019	336,125	276,732	224,942	67,375	315,129	49,176	1,269,479
2018	332,730	251,932	200,645	62,226	206,830	12,954	1,067,317
2017	553,557	201,170	202,814	63,095	51,120	50,480	1,122,236
2016	236,772	267,536	189,449	54,508	58,011	41,848	848,124
	$ 6,362,285	$ 2,901,706	$ 2,073,262	$ 914,439	$ 997,050	$ 246,864	$ 13,495,606

TOWN OF DAMASCUS, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TAX LEVIES AND COLLECTIONS

Tax Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	% of Total Tax Collections to Tax Levy
2025	$ 331,444	$ 292,644	88.3%	$ 35,210	$ 327,854	98.9%
2024	312,681	259,071	82.9%	10,102	269,173	86.1%
2023	306,382	284,940	93.0%	6,326	291,266	95.1%
2022	278,001	281,754	101.3%	28,028	309,782	111.4%
2021	261,166	245,355	93.9%	14,534	259,889	99.5%
2020	259,721	244,573	94.2%	8,607	253,180	97.5%
2019	258,249	242,428	93.9%	21,188	263,616	102.1%
2018	256,374	236,933	92.4%	33,446	270,379	105.5%
2017	240,381	230,173	95.8%	37,672	267,845	111.4%
2016	231,160	224,042	96.9%	41,859	265,901	115.0%

ASSESSED VALUE OF TAXABLE PROPERTY

	Real Estate Tax Rate: .46 per $100		Personal Property Tax Rate: .54 per $100	
Tax Year	Real Estate	Total Real Estate	Personal Property	Total Personal Property
2025	$ 62,473,907	$ 62,473,907	$ 8,159,924	$ 8,159,924
2024	58,837,358	58,837,358	7,837,748	7,837,748
2023	61,713,600	61,713,600	8,209,216	8,209,216
2022	52,153,300	52,153,300	6,368,372	6,368,372
2021	49,825,742	49,825,742	5,927,333	5,927,333
2020	49,821,032	49,821,032	5,753,376	5,753,376
2019	49,478,795	49,478,795	5,675,428	5,675,428
2018	49,364,486	49,364,486	5,887,124	5,887,124
2017	45,345,900	45,345,900	5,714,499	5,714,499
2016	43,544,000	43,544,000	4,051,870	4,051,870

COMPLIANCE SECTION

OWENS
CPA & ASSOCIATES PC

C. Todd Owens, CPA

Certified Public Accountants and Consultants
Virginia Society of Certified Public Accountants
American Institute of Certified Public Accountants

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

Members of the Town Council
Town of Damascus, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Damascus, 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, and have issued our report thereon dated June 19, 2026.

Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

17339 Riverside Drive, Suite B, Post Office Box 10, Vansant, Virginia 24656
Telephone: (276) 935-7351, Fax: (276) 935-7446

Purpose of this Report

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

Owens CPA & Associates, PC

Owens CPA & Associates, P.C.
June 19, 2026

TOWN OF DAMASCUS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year End June 30, 2025

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements**:** **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. The type of report issued on compliance for major programs: **N/A (No major programs)**
6. Significant deficiencies in internal control over major programs: **N/A**
7. Material weaknesses in internal control over major programs: **N/A**
8. Any audit findings which are required to be reported under the Uniform Guidance: **N/A**
9. The program tested as major programs were: **N/A**
10. Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**
11. The Town of Damascus, Virginia qualified as a low-risk auditee under Section 530 of Uniform Guidance

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

C. Findings and Questioned Costs Relating to Federal Awards

None reported

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contacts, and Grants

None reported

E. Status of Prior Year Findings

None reported