

TOWN OF LOVETTSVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

TOWN OF LOVETTSVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

TOWN OF LOVETTSVILLE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

	Christopher M. Hornbaker, Mayor Thomas Budnar, Vice-Mayor	
Ann Arena Brandon Davis	David Smith	David Earl Stuart Stahl

OFFICIALS

Jason Cournoyer	Town Manager
Tanya George	Treasurer
Elizabeth Fontaine	Town Clerk

TOWN OF LOVETTSVILLE, VIRGINIA

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Town Council
Town of Lovettsville, 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, and each major fund of Town of Lovettsville, Virginia, 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 financial position of the governmental activities, the business-type activities, and each major fund of Town of Lovettsville, Virginia, 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 General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Lovettsville, 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 opinions.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 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 Town of Lovettsville, Virginia'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.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Lovettsville, Virginia'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 Town of Lovettsville, Virginia'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, 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, which 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. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Lovettsville, Virginia's basic financial statements. The accompanying supporting schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. 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 supporting schedules and the schedule of expenditures of federal awards are 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 November 7, 2025, on our consideration of Town of Lovettsville, Virginia'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 solely 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 Town of Lovettsville, Virginia'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 Town of Lovettsville, Virginia's internal control over financial reporting and compliance.

Charlottesville, Virginia
November 7, 2025

Management's Discussion and Analysis

Our discussion and analysis of the Town of Lovettsville's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2025. Please read it in conjunction with the Town's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources by \$21,520,457 at the close of the most recent fiscal year.
- The Town's net position increased as a result of this year's operations. While net position of the business-type activities increased by \$434,449, net position of the governmental activities increased by \$1,110,274.
- In the Town's business-type activities, operating revenues decreased by \$626,514 from the previous year while operating expenses decreased by \$73,341. Nonoperating income decreased by \$30,228.
- In the Town's governmental activities, operating revenues decreased by \$1,022,111 from the previous year while operating expenses decreased by \$150,083.
- Actual revenues were \$241,567 more than budgeted for the General Fund. General Fund expenditures were \$543,547 less than budgeted.
- The Town spent \$1,307,471 for capital additions during the current fiscal year.
- The Town's long-term debt decreased by \$392,040 during the current fiscal year.
- Through the American Rescue Plan Act of 2021 (ARPA), the Town received \$2,280,462 during prior fiscal years intended to help respond to the COVID-19 emergency and bring back jobs. The unspent portion of ARPA funds is reflected as unearned revenue at the end of the fiscal year. The funding will be reflected in revenue in future periods as the funds are expended.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position (on page 18) and the Statement of Activities (on pages 19 and 20) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that help answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

USING THIS ANNUAL REPORT: (CONTINUED)

Reporting the Town as a Whole: (Continued)

These two statements report the Town's *net position* and changes in it. You can think of the Town's net position-the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources-as one way to measure the Town's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property base and condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- *Governmental activities* - Most of the Town's basic services are reported here, including public safety, public works, community development and general administration. Property taxes, other local taxes and development fees finance most of these activities.
- *Business-type activities* - The Town charges a fee to customers/users to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 22 and provide detailed information about the Town's funds-not the Town as a whole. 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 uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the budget ordinance. The Town's two kinds of funds - *governmental* and *proprietary*- use different accounting approaches.

- *Governmental funds* - Most of the Town's basic services are reported in the governmental funds, which focus on how money flows into and out of the funds, and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Town's fund balances by law, creditors, Town council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and the governmental *funds* in reconciliations following the fund financial statements.
- *Proprietary fund* - When the Town charges customers/users for the services provided it is reported in a proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows, for the proprietary fund.

THE TOWN AS A WHOLE

The Town's combined net position changed modestly from a year ago *increasing* from \$19,975,734 to \$21,520,457. During the year, the net position of the governmental and business-type activities increased by 11.46 percent and increased by 4.22 percent, respectively. Below is a summary of the net position as of June 30, 2025 and 2024.

NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 4,578,293	\$ 4,637,721	\$ 3,976,446	\$ 4,063,532	\$ 8,554,739	\$ 8,701,253
Capital assets	8,225,385	7,649,565	8,359,361	8,236,535	16,584,746	15,886,100
Total assets	<u>\$ 12,803,678</u>	<u>\$ 12,287,286</u>	<u>\$ 12,335,807</u>	<u>\$ 12,300,067</u>	<u>\$ 25,139,485</u>	<u>\$ 24,587,353</u>
Total deferred outflows of resources	\$ <u>31,267</u>	\$ <u>26,024</u>	\$ <u>36,983</u>	\$ <u>41,744</u>	\$ <u>68,250</u>	\$ <u>67,768</u>
Long-term liabilities	\$ 999,549	\$ 1,125,504	\$ 1,193,894	\$ 1,470,079	\$ 2,193,443	\$ 2,595,583
Other liabilities	592,555	1,029,112	147,329	145,723	739,884	1,174,835
Total liabilities	<u>\$ 1,592,104</u>	<u>\$ 2,154,616</u>	<u>\$ 1,341,223</u>	<u>\$ 1,615,802</u>	<u>\$ 2,933,327</u>	<u>\$ 3,770,418</u>
Total deferred inflows of resources	\$ <u>448,487</u>	\$ <u>474,614</u>	\$ <u>305,464</u>	\$ <u>434,355</u>	\$ <u>753,951</u>	\$ <u>908,969</u>
Net position:						
Net investment in capital assets	\$ 7,133,088	\$ 6,288,865	\$ 7,213,162	\$ 6,815,338	\$ 14,346,250	\$ 13,104,203
Restricted	147,647	137,869	123,844	112,802	271,491	250,671
Unrestricted	3,513,619	3,257,346	3,389,097	3,363,514	6,902,716	6,620,860
Total net position	<u>\$ 10,794,354</u>	<u>\$ 9,684,080</u>	<u>\$ 10,726,103</u>	<u>\$ 10,291,654</u>	<u>\$ 21,520,457</u>	<u>\$ 19,975,734</u>

A portion of the Town's net position (67.34 percent) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (\$6,740,076) may be used to meet the government's ongoing obligation to citizens and creditors.

THE TOWN AS A WHOLE: (CONTINUED)

The following is a summary of the change in net position for the governmental and business-type activities for the years ended June 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Charges for services	\$ 13,870	\$ 18,807	\$ 1,550,066	\$ 1,473,751	\$ 1,563,936	\$ 1,492,558
General property taxes	769,675	738,450	-	-	769,675	738,450
Other local taxes	1,100,831	920,426	-	-	1,100,831	920,426
Intergovernmental	497,523	1,577,655	-	1,153,549	497,523	2,731,204
Miscellaneous	33,681	182,353	7,996	15,449	41,677	197,802
Total revenues	<u>\$ 2,415,580</u>	<u>\$ 3,437,691</u>	<u>\$ 1,558,062</u>	<u>\$ 2,642,749</u>	<u>\$ 3,973,642</u>	<u>\$ 6,080,440</u>
Program expenses						
General government	\$ 1,111,357	\$ 1,106,534	\$ -	\$ -	\$ 1,111,357	\$ 1,106,534
Public safety	-	14,847	-	-	-	14,847
Public works	367,655	366,900	-	-	367,655	366,900
Parks, recreation and cultural	42,132	54,481	-	-	42,132	54,481
Community development	97,005	225,470	-	-	97,005	225,470
Water and sewer	-	-	1,554,712	1,628,053	1,554,712	1,628,053
Total expenses	<u>\$ 1,618,149</u>	<u>\$ 1,768,232</u>	<u>\$ 1,554,712</u>	<u>\$ 1,628,053</u>	<u>\$ 3,172,861</u>	<u>\$ 3,396,285</u>
Operating income (loss)	<u>\$ 797,431</u>	<u>\$ 1,669,459</u>	<u>\$ 3,350</u>	<u>\$ 1,014,696</u>	<u>\$ 800,781</u>	<u>\$ 2,684,155</u>
Nonoperating						
Interest income	\$ 120,863	\$ 151,164	\$ 181,861	\$ 212,089	\$ 302,724	\$ 363,253
Interest expense	(16,955)	(19,220)	-	-	(16,955)	(19,220)
Total nonoperating	<u>\$ 103,908</u>	<u>\$ 131,944</u>	<u>\$ 181,861</u>	<u>\$ 212,089</u>	<u>\$ 285,769</u>	<u>\$ 344,033</u>
Income (loss) before capital contributions and transfers	\$ 901,339	\$ 1,801,403	\$ 185,211	\$ 1,226,785	\$ 1,086,550	\$ 3,028,188
Capital contributions	\$ -	-	458,173	-	458,173	-
Transfers	<u>208,935</u>	<u>189,404</u>	<u>(208,935)</u>	<u>(189,404)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>\$ 1,110,274</u>	<u>\$ 1,990,807</u>	<u>\$ 434,449</u>	<u>\$ 1,037,381</u>	<u>\$ 1,544,723</u>	<u>\$ 3,028,188</u>

The Town's total revenues decreased by \$1,648,625 (27.11 percent). The total cost of all programs and services decreased by \$223,424 (6.58 percent). Our analysis that follows separately considers the operations of governmental and business-type activities.

THE TOWN'S FUNDS

As the Town completed the year, its general fund (as presented in the balance sheet on page 22) reported a fund balance of \$3,801,917, which is an increase of \$424,522 from last year's total of \$3,377,395. The primary reasons for the General Fund's increase mirror the changes noted in the previous section under "governmental" activities.

As the Town completed the year, its proprietary funds (as presented in the statement of net position on pages 26 and 27) reported net position of \$10,726,103, which is an increase of \$434,449 over last year's total of \$10,291,654. Significant changes in net position are noted in the previous section under "business-type" activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town Council made revisions to the General Fund budget, as needed. The significant variations of actual results to the General Fund budget are summarized below:

Account	Variance Positive/Negative
Revenues	
Other local taxes	\$ 317,102
Revenue from use of money and property	30,066
Miscellaneous	(110,429)
Expenditures	
General government administration	\$ 183,865
Parks, recreation, and cultural	18,568
Community development	45,955

Sales taxes and meals taxes exceeded expectations due to the continued growth of the Town.

The other payroll related expenses (administrative salaries, payroll taxes, health insurance and VRS contribution) were less than budget due to positions not immediately being filled, and employees not being vested into benefit plans until later in the year. Legal fees and advertising were less than budgeted because various expected and planned events did not occur. Repairs/replacements were less as a result of the modular office being replaced by a brand new building.

Capital outlays were budgeted for the targeted completion timing and amount; resulted in less expenses than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the Town had \$16,584,746 invested in capital assets including land, buildings, equipment, infrastructure and the utility system. (See table that follows.) This represents a net increase of \$698,646 or 4.40 percent over last year.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,174,520	\$ 1,174,520	\$ 154,200	\$ 154,200	\$ 1,328,720	\$ 1,328,720
Construction in progress	3,814,811	3,159,011	414,586	713,272	4,229,397	3,872,283
Buildings & Improvements	885,043	890,525	-	-	885,043	890,525
Land improvements	267,045	255,893	-	-	267,045	255,893
Machinery and equipment	34,711	46,758	-	-	34,711	46,758
Infrastructure	2,049,255	2,122,858	-	-	2,049,255	2,122,858
Utility system	-	-	7,790,575	7,369,063	7,790,575	7,369,063
Totals	<u>\$ 8,225,385</u>	<u>\$ 7,649,565</u>	<u>\$ 8,359,361</u>	<u>\$ 8,236,535</u>	<u>\$ 16,584,746</u>	<u>\$ 15,886,100</u>

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)**Capital Assets: (Continued)**

This year's additions included on the depreciation schedule:

General Fund

Broad way improvements	\$	187,939
Town Square improvements		21,000
Town Facilities		24,460
Quarter Branch improvements		18,200
Software		27,662
Loudoun Street improvements		308,362
S Church improvements		116,156
Other road improvements		15,681
Total general fund	\$	<u>719,460</u>

Utilities Fund

Penn Ave watermain	\$	9,033
Wastewater improvements		392,376
Watermain improvements		18,873
Truck replacement		77,756
Elevated water tower		24,320
Quarter Branch watermain		1,488
LSL replacement		64,165
Total utilities fund	\$	<u>588,011</u>

Debt

At year-end, the Town had \$2,198,443 in outstanding debt compared to \$2,590,483 last year. This is a decrease of 15.13 percent as shown in the following table.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Bonds Payable:						
General obligation bonds	\$ 942,730	\$ 1,080,424	\$ 858,238	\$ 1,095,634	\$ 1,800,968	\$ 2,176,058
Compensated absences	36,962	23,952	23,295	15,647	60,257	39,599
Net OPEB liability	14,868	14,475	13,588	13,229	28,456	27,704
Equipment loans	-	-	280,329	306,526	280,329	306,526
Premium on bond issuance	4,989	6,653	18,444	33,943	23,433	40,596
Totals	<u>\$ 999,549</u>	<u>\$ 1,125,504</u>	<u>\$ 1,193,894</u>	<u>\$ 1,464,979</u>	<u>\$ 2,193,443</u>	<u>\$ 2,590,483</u>

No new debt was issued during the year ended June 30, 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town anticipates continued growth in the upcoming fiscal year 2025-2026 in real estate re-evaluation assessments and revenue deriving from business related consumer taxes such as sales tax, meals tax, and business licenses. The following is a summary of the Town of Lovettsville's budget for fiscal year 2025-2026.

The budgeted revenues are anticipated to remain overall level for the fiscal year ending June 30, 2026, for the General Fund. There are increases primarily due to the increased real estate re-evaluation assessments, steady increase in revenue deriving from sales and use taxes, meals taxes, business licenses, and investment income. These increases are offset by a sharp decrease in use of reserves/fund balance and Town Council directed decrease, associated with the inter-fund transfer from the Utilities Fund for administrative overhead expenses. The remainder of the budgeted revenue is very similar to the previous fiscal budget.

The budgeted expenditures for the General Fund remain flat in the fiscal year ending June 30, 2026. There are increases attributable to personnel expenses, local funding required from general government projects in the Town's Capital Improvement Plan, and contractual increases; however, there is a decrease attributable to the in-sourcing of the contracted landscaping services that offsets the increases. The remainder of the budgeted expenses are very similar to the previous fiscal budget.

Budgeted capital expenses and revenues for general government projects are included in the General Government- Capital Projects Fund and totals \$3,803,917 for fiscal year 2025-2026 and are primarily for on-going transportation capital projects on S. Locust Street and S. Loudoun Street, and S. Church Street and E. Pennsylvania Avenue that are primarily funded with state grant funding and funding from Loudoun County. The fund also includes improvements to the Town Green, Town Square and Clock Tower.

The budgeted revenue in the Utilities Fund is expected to decrease by approximately \$27,750 in the fiscal year ending June 30, 2026. This decrease is primarily linked to utilization of American Rescue Plan Act of 2021 funding for capital projects. The budgeted revenues includes an approved increase in water and sewer rates of three percent over the previous year rates, and availability and connection fees associated with anticipated new residential development, Chestnut Vale. The remainder of the budgeted revenue is very similar to the previous fiscal budget.

The budgeted operating expenses remain fairly steady in the Utilities Fund for the upcoming year. The budgeted expenses for the fiscal year ending June 30, 2026, are a \$2,749,250 or a decrease of 1.2 percent compared to the the budgeted expenses for the prior fiscal year of \$2,777,000 with the decrease primarily being attributed to absence of capital project expenses funded by American Rescue Plan Act of 2021 funding. The utilities capital projects are improvements to the water treatment infrastructure and wastewater treatment plant including waterline replacements, inflow and infiltration repairs, equalization basin tank, a second elevated water tank, and an ultraviolet basin replacement at the wastewater treatment plant.

In conclusion, the adopted budget for fiscal year ending June 30, 2026 is balanced in accordance with state statutes, and revenues based on conservative estimates, while expenditures are based on historical data, as well as actual proposed costs.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Office at 6 East Pennsylvania Avenue, Lovettsville, VA.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,304,797	\$ 3,779,332	\$ 7,084,129
Receivables, net of allowance for uncollectibles			
Taxes receivable	433,349	-	433,349
Accounts receivable	152,954	163,503	316,457
Leases receivable	-	351,781	351,781
Due from other governments	73,471	-	73,471
Prepaid items	16,260	10,842	27,102
Internal balances	449,815	(449,815)	-
Net pension asset	147,647	120,803	268,450
Capital assets:			
Land	1,174,520	154,200	1,328,720
Construction in progress	3,814,811	414,586	4,229,397
Other capital assets, net of accumulated depreciation	3,236,054	7,790,575	11,026,629
Capital assets, net	\$ 8,225,385	\$ 8,359,361	\$ 16,584,746
Total assets	\$ 12,803,678	\$ 12,335,807	\$ 25,139,485
Deferred Outflows of Resources:			
OPEB related items	\$ 6,178	\$ 5,644	\$ 11,822
Pension related items	25,089	20,527	45,616
Deferred charges on refunding	-	10,812	10,812
Total deferred outflows of resources	\$ 31,267	\$ 36,983	\$ 68,250
Liabilities:			
Accounts payable	\$ 348,534	\$ 27,118	\$ 375,652
Accrued liabilities	27,533	21,308	48,841
Unearned revenue	210,391	-	210,391
Accrued interest	6,097	12,771	18,868
Customer deposits	-	86,132	86,132
Long-term liabilities:			
Due within one year:			
Compensated absences	3,696	2,330	6,026
Loans payable	-	26,197	26,197
Bonds payable	135,191	264,912	400,103
Due in more than one year:			
Compensated absences	33,266	20,965	54,231
Net OPEB liability	14,868	13,588	28,456
Loans payable	-	280,329	280,329
Bonds payable	812,528	585,573	1,398,101
Total liabilities	\$ 1,592,104	\$ 1,341,223	\$ 2,933,327
Deferred Inflows of Resources:			
OPEB related items	\$ 4,577	\$ 4,183	\$ 8,760
Pension related items	30,145	24,664	54,809
Lease related items	-	276,617	276,617
Deferred revenue-property taxes	413,765	-	413,765
Total deferred inflows of resources	\$ 448,487	\$ 305,464	\$ 753,951
Net Position:			
Net investment in capital assets	\$ 7,133,088	\$ 7,213,162	\$ 14,346,250
Restricted:			
Frye Court Service District	-	3,041	3,041
Net pension asset	147,647	120,803	268,450
Unrestricted	3,513,619	3,389,097	6,902,716
Total net position	\$ 10,794,354	\$ 10,726,103	\$ 21,520,457

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

Statement of Activities
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 administration	\$ 1,111,357	\$ -	\$ 2,000	\$ -
Public safety	-	-	15,000	-
Public works	367,655	13,870	468,611	-
Parks, recreation and cultural	42,132	-	2,263	-
Community development	97,005	-	-	-
Interest on long-term debt	16,955	-	-	-
Total governmental activities	\$ 1,635,104	\$ 13,870	\$ 487,874	\$ -
Business-type activities:				
Water & sewer	\$ 1,554,712	\$ 1,550,066	\$ -	\$ 458,173
Total business-type activities	\$ 1,554,712	\$ 1,550,066	\$ -	\$ 458,173
Total	\$ 3,189,816	\$ 1,563,936	\$ 487,874	\$ 458,173

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

Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Total
	Governmental Activities	Business-type Activities	
Primary Government:			
Governmental activities:			
General government administration	\$ (1,109,357)	\$ -	\$ (1,109,357)
Public safety	15,000	-	15,000
Public works	114,826	-	114,826
Parks, recreation and cultural	(39,869)	-	(39,869)
Community development	(97,005)	-	(97,005)
Interest on long-term debt	(16,955)	-	(16,955)
Total governmental activities	\$ (1,133,360)	\$ -	\$ (1,133,360)
Business-type activities:			
Water & sewer	\$ -	\$ 453,527	\$ 453,527
Total business-type activities	\$ -	\$ 453,527	\$ 453,527
Total	\$ (1,133,360)	\$ 453,527	\$ (679,833)
General Revenues:			
General real property taxes	\$ 769,675	\$ -	\$ 769,675
Local sales and use taxes	436,097	-	436,097
Business license tax	92,272	-	92,272
Cigarette tax	23,250	-	23,250
Bank franchise taxes	29,565	-	29,565
Utility tax	19,557	-	19,557
Meals tax	410,510	-	410,510
Motor vehicle licenses	62,181	-	62,181
Other local taxes	27,399	-	27,399
Unrestricted revenues from the use of money	120,863	181,861	302,724
Grants and contributions not restricted to specific programs	9,649	-	9,649
Miscellaneous	33,681	7,996	41,677
Transfers	208,935	(208,935)	-
Total general revenues and transfers	\$ 2,243,634	\$ (19,078)	\$ 2,224,556
Change in net position	\$ 1,110,274	\$ 434,449	\$ 1,544,723
Net position, beginning of year	\$ 9,684,080	\$ 10,291,654	\$ 19,975,734
Net position, end of year	\$ 10,794,354	\$ 10,726,103	\$ 21,520,457

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

Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2025

	General Fund	Capital Projects Fund	Total
Assets:			
Cash and cash equivalents	\$ 2,319,025	\$ 985,772	\$ 3,304,797
Receivables (net of allowance for uncollectibles):			
Taxes including penalties	433,349	-	433,349
Accounts	136,924	16,030	152,954
Due from other governments	73,471	-	73,471
Due from other funds	1,502,702	-	1,502,702
Prepaid items	16,260	-	16,260
Total assets	\$ <u>4,481,731</u>	\$ <u>1,001,802</u>	\$ <u>5,483,533</u>
Liabilities:			
Accounts payable	\$ 28,125	\$ 320,409	\$ 348,534
Accrued liabilities	27,533	-	27,533
Unearned revenue	210,391	-	210,391
Due to other funds	-	1,052,887	1,052,887
Total liabilities	\$ <u>266,049</u>	\$ <u>1,373,296</u>	\$ <u>1,639,345</u>
Deferred Inflows of Resources:			
Unavailable revenue-property taxes	\$ <u>413,765</u>	\$ <u>-</u>	\$ <u>413,765</u>
Fund Balance:			
Nonspendable for prepaid items	\$ 16,260	\$ -	\$ 16,260
Restricted:			
Proffers	12,017	-	12,017
Assigned:			
Debt service	261,939	-	261,939
Events	16,433	-	16,433
Capital asset replacement reserve	1,041,108	-	1,041,108
Unassigned (deficit)	2,454,160	(371,494)	2,082,666
Total fund balance (deficit)	\$ <u>3,801,917</u>	\$ <u>(371,494)</u>	\$ <u>3,430,423</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u>4,481,731</u>	\$ <u>1,001,802</u>	\$ <u>5,483,533</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2025

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balance for governmental funds (Exhibit 3)	\$	3,430,423
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,174,520	
Construction in progress		3,814,811	
Depreciable capital assets, net of accumulated depreciation		<u>3,236,054</u>	8,225,385

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Net pension asset	\$	<u>147,647</u>	147,647
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	25,089	
OPEB related items		<u>6,178</u>	31,267

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(36,962)	
Net OPEB liability		(14,868)	
Accrued interest payable		(6,097)	
Premium on bonds payable		(4,989)	
Bonds payable		<u>(942,730)</u>	(1,005,646)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$	(30,145)	
OPEB related items		<u>(4,577)</u>	<u>(34,722)</u>

Total net position of governmental activities	\$	<u><u>10,794,354</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Total
Revenues:			
General property taxes	\$ 774,727	\$ -	\$ 774,727
Other local taxes	1,100,831	-	1,100,831
Permits, privilege fees and regulatory licenses	6,175	-	6,175
Revenue from use of money and property	80,466	40,397	120,863
Charges for services	7,695	-	7,695
Miscellaneous	33,681	-	33,681
Intergovernmental:			
Commonwealth	28,912	468,611	497,523
Total revenues	\$ 2,032,487	\$ 509,008	\$ 2,541,495
Expenditures:			
Current:			
General government administration	\$ 1,062,841	\$ 278,378	\$ 1,341,219
Public works	284,458	446,018	730,476
Parks, recreation, and cultural	42,132	-	42,132
Community development	97,259	-	97,259
Debt service			
Principal retirement	137,694	-	137,694
Interest and fiscal charges	19,516	-	19,516
Total expenditures	\$ 1,643,900	\$ 724,396	\$ 2,368,296
Excess (deficiency) of revenues over expenditures	\$ 388,587	\$ (215,388)	\$ 173,199
Other financing sources (uses):			
Transfers in	\$ 208,935	\$ 173,000	\$ 381,935
Transfers out	(173,000)	-	(173,000)
Total other financing sources (uses)	\$ 35,935	\$ 173,000	\$ 208,935
Net change in fund balance	\$ 424,522	\$ (42,388)	\$ 382,134
Fund balances (deficit), beginning of year	\$ 3,377,395	\$ (313,426)	\$ 3,063,969
Fund balances (deficit), end of year	\$ 3,801,917	\$ (355,814)	\$ 3,446,103

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
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 (Exhibit 5)	\$	366,454
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Governmental activities 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. A summary of items supporting this adjustment is as follows:

Capital outlay	\$	719,460	
Depreciation expense		<u>(143,640)</u>	575,820

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.

Property taxes	(5,052)
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The issuance of long-term debt (e.g. bonds, leases, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:

Principal retired on long-term debt	\$	137,694	
Amortization of bond premium		<u>1,664</u>	139,358

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$	(13,010)	
Pension expense		43,971	
OPEB expense		1,836	
Change in interest payable		<u>897</u>	<u>33,694</u>

Change in net position of governmental activities	\$	<u><u>1,110,274</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
As of June 30, 2025

	Enterprise Fund Utilities Fund
	Totals
Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,779,332
Prepaid items	10,842
Receivables (net of allowance for uncollectibles)	163,503
Leases receivable, current portion	125,558
Total current assets	\$ 4,079,235
Noncurrent assets:	
Net pension asset	\$ 120,803
Leases receivable, net of current portion	226,223
Land	154,200
Construction in progress	414,586
Capital assets, net of accumulated depreciation	7,790,575
Total noncurrent assets	\$ 8,706,387
Total assets	\$ 12,785,622
Deferred Outflows of Resources:	
OPEB related items	\$ 5,644
Pension related items	20,527
Deferred charges on refunding	10,812
Total deferred outflows of resources	\$ 36,983
Liabilities:	
Current liabilities:	
Accounts payable	\$ 27,118
Accrued liabilities	21,308
Accrued interest payable	12,771
Due to other funds	449,815
Customer deposits	86,132
Compensated absences, current portion	2,330
Current portion of long-term debt	291,109
Total current liabilities	\$ 890,583
Noncurrent liabilities:	
Compensated absences, net of current portion	\$ 20,965
Net OPEB liability	13,588
Long-term debt, net of current portion	865,902
Total noncurrent liabilities	\$ 900,455
Total liabilities	\$ 1,791,038
Deferred Inflows of Resources:	
OPEB related items	\$ 4,183
Pension related items	24,664
Lease related items	276,617
Total deferred inflows of resources	\$ 305,464
Net Position:	
Net investment in capital assets	\$ 7,213,162
Restricted for Frye Court Service Tax District	3,041
Restricted for net pension asset	120,803
Unrestricted	3,389,097
Total net position	\$ 10,726,103

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2025

		Enterprise Fund Utilities Fund
		Totals
Operating revenues:		
Charges for services	\$	1,312,765
Late charges		21,683
Frye Court Service District tax		30,536
Lease revenue		185,082
Miscellaneous		7,996
Total operating revenues	\$	1,558,062
Operating expenses:		
Personnel services	\$	481,930
Contractual services		94,983
Repairs and maintenance		238,736
Utilities		81,441
Communications		16,289
Insurance		37,430
Miscellaneous		88,642
Supplies and equipment		8,498
Depreciation		465,185
Total operating expenses	\$	1,513,134
Operating income (loss)	\$	44,928
Nonoperating revenues (expenses):		
Interest revenue	\$	181,861
Interest expense		(41,578)
Total nonoperating revenues (expenses)	\$	140,283
Income (loss) before capital contributions and transfers	\$	185,211
Capital contributions	\$	458,173
Transfers out		(208,935)
Change in net position	\$	434,449
Net position, beginning of year		10,291,654
Net position, end of year	\$	10,726,103

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2025

		Enterprise Fund
		Utilities Fund
		Totals
Cash flows from operating activities:		
Receipts from customers	\$	1,600,402
Payments to and for employees		(615,236)
Payments to suppliers		(548,533)
Net cash provided by (used for) operating activities	\$	436,633
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$	(588,011)
Interest payments on long-term debt		(56,251)
Principal payments on long-term debt		(263,593)
Net cash provided by (used for) capital and related financing activities	\$	(449,682)
Cash flows from investing activities:		
Investment income	\$	181,861
Cash flows from noncapital financing activities:		
Net transfers from (to) other funds	\$	(880,121)
Net increase (decrease) in cash and cash equivalents	\$	(711,309)
Cash and cash equivalents at beginning of year - including restricted		4,490,641
Cash and cash equivalents at end of year - including restricted	\$	3,779,332
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	44,928
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		465,185
Changes in operating accounts:		
Accounts receivable		(539)
Leases receivable		42,329
Prepaid expenses		13,174
Net OPEB asset		359
Net pension asset		(8,001)
Deferred outflows - GLI OPEB		(1,396)
Deferred outflows - pension		(3,037)
Accounts payable and accrued liabilities		4,324
Compensated absences		7,648
Customer deposits		550
Deferred inflows - GLI OPEB		(638)
Deferred inflows - pension		(24,938)
Deferred inflows - leases		(103,315)
Net cash provided by (used for) operating activities	\$	436,633

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

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025**

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Town of Lovettsville, Virginia, conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the most significant policies:

A. Financial Reporting Entity

The Town of Lovettsville, Virginia, is a municipality governed by a six-member Town Council and Mayor. Daily operations are conducted by the Town Manager. The financial statements of the Town of Lovettsville, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. For the most part, the effect of interfund 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 net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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 accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Government-Wide Financial Statements

The Town government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 45 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales and use taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is a major fund and is the Town's primary governmental fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The Events Fund is a governmental fund used to account for all financial resources of the community events held by the Town. This fund is combined in the General Fund in the financial statements.

The General Government – Capital Projects Fund is a major fund and is a governmental fund used to account for capital projects of the general government.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses not meeting this definition are reported as non-operating expenses.

The Town reports the following major proprietary fund:

Utilities Fund - accounts for the activities related to the provision of water and sewer services to Town's businesses, residents, schools, and churches. The Town operates and maintains its wells and water distribution system, and its sewer treatment plant and sewer collection system.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical collection data and specific account analysis. Major receivable balances for the governmental activities include sales and use taxes and utility taxes. Business-type activities report utility services as their major receivable. The Town grants credit to the customers of its water and sewer systems. The customers are either local businesses or residents.

In the fund financial statements, major receivable balances and the allowances for uncollectible accounts are the same as those in the governmental and business-type activities.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities and Equity: (Continued)

Property Taxes

Real estate taxes are assessed semi-annually by Loudoun County, Virginia, for all property of record as of January 1. Property taxes attach as an enforceable lien on property as of January 1. The County collects real estate taxes on a semi-annual basis. The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred revenue in the fund financial statements. The tax rate assessed for calendar year 2025 was .1452 per \$100 valuation. A penalty of 10 percent of the tax is assessed after the applicable payment date.

The taxes receivable balance at June 30, 2025, consists of amounts billed before June 30, 2025. Amounts not yet billed or received from Loudoun County, Virginia from the January 1, 2025, levy (due December 5, 2025), are included in due from other governmental units. These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2026.

The Town calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. No allowance was deemed necessary at June 30, 2025.

Prepaid Items

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

Interfund Receivables and Payables

During the course of operations, transactions occur that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Position so that only the net amount is included as internal balances in the governmental activities' column. The Town's General Fund has a due from the Utilities Fund in the amount of \$449,815, and amount due from the Capital Projects Fund of \$1,052,887 at June 30, 2025.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items owned by the Town), are reported in the applicable governmental or business-type activities columns. In general, the Town defines capital assets as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Capital assets are carried at historical cost except for donated capital assets that are recorded at their acquisition value at the date of donation.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities and Equity: (Continued)

Capital Assets (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	30-50 years
Land Improvements	20 years
Utility System	25-40 years
Machinery and Equipment	5-10 years
Infrastructure	20-40 years

Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The Town’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee’s current pay rate upon separation from employment.

Sick Leave

The Town’s policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Unearned Revenue

Unearned revenue is recorded when asset recognition criteria (measurable) have been met, but revenue recognition (available) criteria have not been met.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities and Equity: (Continued)

Long-Term Debt

The accounting treatment of the long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, loans and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payment of principal and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for the proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town has three items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are deferred pension and OPEB amounts. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of net position or balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has multiple items (property taxes, vehicle license billing, and deferred pension and OPEB amounts) that qualify for reporting in this category. For more detailed information on these items, reference the related notes.

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, Liabilities and Equity: (Continued)

Fund Balance: (Continued)

- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Town Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** - All amounts available for any other purpose positive amounts are only reported in the general fund.

Government-Wide Statements

Net Position

Net position is comprised of three components:

- a. Net investment in capital assets-consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position-consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These assets are reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted-all other net position is reported in this category.

Deficit Net Position/Fund Equity

A deficit unassigned fund balance of \$355,814 exists in the Capital Projects Fund, a major fund. The deficit results from the accrual of capital expenditures without accruing intergovernmental revenues for reimbursement of expenditures. The Town accrues intergovernmental revenues only when all eligibility requirements have been met, including the requirement that allowable costs must have been actually incurred.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Revenues, Expenditures, and Expenses

Governmental Fund Revenues

As mentioned above, governmental fund revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Accordingly, property taxes not collected within 45 days after year-end are reflected unavailable revenues. The Town recognizes sales and utility taxes remitted to the Town as revenues and receivables in the month preceding receipt. Licenses and permits 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 specific expenditure.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Sewer and Water Availability Fees

Sewer and water availability fees are recorded as revenue when received. Fees recorded in the Utilities Fund are shown as capital contributions in the Statement of Revenues, Expenses and Changes in Fund Position. The same fees are presented in the government-wide Statement of Activities as capital grants and contributions. Council has designated that the sewer availability fees will be used to pay debt incurred in building the wastewater treatment plant and other sewer system improvements. The Council has also designated that the water availability fees will be used to pay for future water system improvements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function for the governmental fund and by operating and nonoperating for the proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Revenues, Expenditures, and Expenses: (Continued)

Fringe benefits

Fringe benefits of the Town include:

- a. Social Security System - All employees participate in the Federal Social Security Program. The employer share of FICA taxes for the employees is the responsibility of the Town.
- b. Health Insurance - The Town provides health insurance coverage for all electing full-time, salaried permanent employees.
- c. Pension Plan - Employees of the Town participate in the Virginia Retirement System (VRS). The VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. The VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of the benefit depending on length of service and earnings.

F. Use of Estimates

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

G. Flow Assumption

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward the restricted fund balance and then to other, less restrictive classifications- committed and then assigned fund balances before using unassigned fund balances.

H. Pensions

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

I. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS GLI OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

J. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the utilities fund. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key Estimates and Judgements

Lease accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain period covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable.

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 2--STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. Amounts shown in the accompanying financial statements as "budget" represent the original and final operating budget for the fiscal year 2025.

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)**

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, §2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. 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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

Below is a summary of the Town's accounts at June 30, 2025:

<u>Account</u>	<u>Bank</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
General:			
Checking	Truist	\$ 460,526	\$ 305,814
Checking - capital projects	Truist	(55,336)	92,883
Checking - fire reserve	Truist	15,000	15,000
Unassigned fund balance	Virginia Investment Pool	1,491,593	1,491,593
Capital asset replacement fund	Virginia Investment Pool	1,041,108	1,041,108
General debt reserve	Virginia Investment Pool	261,939	261,939
Proffers reserve	Virginia Investment Pool	12,017	12,017
VLCF	Virginia Investment Pool	9,250	9,250
Checking - Oktoberfest	Truist	36,896	35,950
Checking - Mayfest	Truist	15,172	15,172
Checking - events	Truist	(1,437)	1,044
Events Fund	Virginia Investment Pool	17,869	17,869
Petty cash	N/A	200	-
Total general government		<u>\$ 3,304,797</u>	<u>\$ 3,299,639</u>
Utilities:			
Checking	Truist	\$ 99,497	\$ 297,330
VIP - Sewer	Virginia Investment Pool	128,915	128,915
VIP - Water	Virginia Investment Pool	34,675	34,675
Frye Ct District	Virginia Investment Pool	3,052	3,052
Three month reserve fund	Virginia Investment Pool	695,696	695,696
Utility ARPA Funds	Virginia Investment Pool	83,725	83,725
Unrestricted utility	Virginia Investment Pool	2,234,912	2,234,912
Utility debt reserve	Virginia Investment Pool	498,860	498,860
Total business-type		<u>\$ 3,779,332</u>	<u>\$ 3,977,165</u>
Total reporting entity		<u>\$ 7,084,129</u>	<u>\$ 7,276,804</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 3–DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Town limits the investments of funds to those with credit ratings of at least Aa3/AA-. The Town’s rated debt investments as of June 30, 2025 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Rated Debt Investments' Values		
Investment Type	Value	AAAm
Virginia Investment Pool - Liquidity pool	\$ 6,513,611	\$ 6,513,611
Total	\$ 6,513,611	\$ 6,513,611

Interest Rate Risk

The Town does not have a formal policy relating to interest rate risk.

Investment Type	Fair Value	Less than 1 Year
Virginia Investment Pool - Liquidity pool	\$ 6,513,611	\$ 6,513,611
Total	\$ 6,513,611	\$ 6,513,611

Custodial Credit Risk

The Town’s investments are all insured, registered in the Town’s name and held in an account in the Town’s name, or invested in an external investment pool.

Fair Value Measurements

Fair value of the Virginia Investment Pool is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the above investments at the net asset value (NAV). The Virginia Investment Pool has a limit of two withdrawals per month.

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 4--ACCOUNTS RECEIVABLE

Receivables as of June 30, 2025, for the Town’s individual funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Utilities Sewer</u>	<u>Total</u>
Receivables:				
Meals and occupancy	\$ 35,836	\$ -	\$ -	\$ 35,836
Accounts	<u>101,088</u>	<u>16,030</u>	<u>163,503</u>	<u>280,621</u>
Net total receivables	\$ <u>136,924</u>	\$ <u>16,030</u>	\$ <u>163,503</u>	\$ <u>316,457</u>

NOTE 5--DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following:

<u>Governmental activities</u>	
Commonwealth of Virginia:	<u>General</u>
Department of Taxation, communication tax collected for the Town	\$ 720
Auto rental tax	166
County of Loudoun, Virginia:	
Sales tax collected for the Town	<u>72,585</u>
Total	\$ <u>73,471</u>

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)**

NOTE 6—CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,174,520	\$ -	\$ -	\$ 1,174,520
Construction in progress	3,159,011	719,460	63,660	3,814,811
Total capital assets not being depreciated	<u>\$ 4,333,531</u>	<u>\$ 719,460</u>	<u>\$ 63,660</u>	<u>\$ 4,989,331</u>
Capital assets being depreciated				
Buildings and improvements	\$ 1,060,664	\$ 24,460	\$ -	\$ 1,085,124
Land improvements	585,888	39,200	-	625,088
Machinery and equipment	158,344	-	-	158,344
Infrastructure	2,738,804	-	-	2,738,804
Total capital assets being depreciated	<u>\$ 4,543,700</u>	<u>\$ 63,660</u>	<u>\$ -</u>	<u>\$ 4,607,360</u>
Accumulated depreciation				
Buildings and improvements	\$ 170,139	\$ 29,942	\$ -	\$ 200,081
Land improvements	329,995	28,048	-	358,043
Machinery and equipment	111,586	12,047	-	123,633
Infrastructure	615,946	73,603	-	689,549
Total accumulated depreciation	<u>\$ 1,227,666</u>	<u>\$ 143,640</u>	<u>\$ -</u>	<u>\$ 1,371,306</u>
Total capital assets being depreciated, net	<u>\$ 3,316,034</u>	<u>\$ (79,980)</u>	<u>\$ -</u>	<u>\$ 3,236,054</u>
Governmental activities capital assets, net	<u>\$ 7,649,565</u>	<u>\$ 639,480</u>	<u>\$ 63,660</u>	<u>\$ 8,225,385</u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 154,200	\$ -	\$ -	\$ 154,200
Construction in progress	713,272	588,011	886,697	414,586
Total capital assets not being depreciated	<u>\$ 867,472</u>	<u>\$ 588,011</u>	<u>\$ 886,697</u>	<u>\$ 568,786</u>
Capital assets being depreciated				
Utility system	\$ 15,157,153	\$ 886,697	\$ -	\$ 16,043,850
Total capital assets being depreciated	<u>\$ 15,157,153</u>	<u>\$ 886,697</u>	<u>\$ -</u>	<u>\$ 16,043,850</u>
Accumulated depreciation				
Utility system	\$ 7,788,090	\$ 465,185	\$ -	\$ 8,253,275
Total accumulated depreciation	<u>\$ 7,788,090</u>	<u>\$ 465,185</u>	<u>\$ -</u>	<u>\$ 8,253,275</u>
Total capital assets being depreciated, net	<u>\$ 7,369,063</u>	<u>\$ 421,512</u>	<u>\$ -</u>	<u>\$ 7,790,575</u>
Business-type activities capital assets, net	<u><u>\$ 8,236,535</u></u>	<u><u>\$ 1,009,523</u></u>	<u><u>\$ 886,697</u></u>	<u><u>\$ 8,359,361</u></u>

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

	<u>Amount</u>
Governmental Activities	
General government administration	\$ 64,632
Public works	77,508
Community development	1,500
Total depreciation expense - governmental activities	<u>\$ 143,640</u>
Business-type Activities	
Utilities	<u>\$ 465,185</u>
Total depreciation expense - business-type activities	<u><u>\$ 465,185</u></u>

At June 30, 2025, the Town had seven projects in the construction phase, which are presented in the financial statements as Construction in Progress. Outstanding contracts in the Utilities Fund total \$47,600 as of June 30, 2025. General government projects had an outstanding contract balance of \$2,840,371 as of June 30, 2025.

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)**

NOTE 7—DEFERRED/UNAVAILABLE REVENUE

Unavailable/deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Unavailable Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$413,765 (including 2nd half tax billings of \$413,765 not due until December 5) at June 30, 2025.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2025, but paid in advance by the taxpayers totaled \$555 at June 30, 2025.

NOTE 8—LONG-TERM OBLIGATIONS

A summary of long-term debt activity for the year ended June 30, 2025, is as follows. Additional detailed information is available on the following pages.

	<u>Beginning Balances</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Reductions</u>	<u>Ending Balances</u>	<u>Amounts due within One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$ 1,080,424	\$ -	\$ 137,694	\$ 942,730	\$ 133,527
Premium on bond issuance	6,653	-	1,664	4,989	1,664
Compensated absences*	23,952	13,010	-	36,962	3,696
Net OPEB liability	14,475	9,618	9,225	14,868	-
Total	<u>\$ 1,125,504</u>	<u>\$ 22,628</u>	<u>\$ 148,583</u>	<u>\$ 999,549</u>	<u>\$ 138,887</u>
<u>Business-type activities</u>					
General obligation and revenue bonds	\$ 1,095,634	\$ -	\$ 237,396	\$ 858,238	\$ 253,127
Premium on bond issuance	39,043	-	20,599	18,444	10,883
Equipment loan	306,526	-	26,197	280,329	27,099
Compensated absences*	15,647	7,648	-	23,295	2,330
Net OPEB liability	13,229	8,789	8,430	13,588	-
Total	<u>\$ 1,470,079</u>	<u>\$ 16,437</u>	<u>\$ 292,622</u>	<u>\$ 1,193,894</u>	<u>\$ 293,439</u>

*The change in compensated absences above is a net change for the year.

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental activities

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Direct borrowings and placements</u>		
<u>General Obligation Bond:</u>		
\$1,263,000 General obligation bond issued November 3, 2020 payable in annual principal payments ranging from \$120,000 to \$130,000 and semi-annual interest payments at 1.57 percent with final payment due February 1, 2031.	\$ 762,446	\$ 123,802
 \$225,000 General obligation bond issued April 24, 2021 payable in semi-annual installments of \$7,487, bearing interest at 2.95 percent. Final payment due April 15, 2040.	 <u>180,284</u>	 <u>9,725</u>
Total general obligation bonds	\$ <u>942,730</u>	\$ <u>133,527</u>
Premium on bond issuance	\$ <u>4,989</u>	\$ <u>1,664</u>
Compensated absences	\$ <u>36,962</u>	\$ <u>3,696</u>
Net OPEB liability	\$ <u>14,868</u>	\$ <u>-</u>
Total governmental activities obligations	\$ <u><u>999,549</u></u>	\$ <u><u>138,887</u></u>

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 133,527	\$ 17,219
2027	134,292	14,990
2028	136,441	12,741
2029	138,415	10,454
2030	142,208	8,132
2031-2035	188,873	17,176
2036-2040	<u>68,974</u>	<u>5,892</u>
Total	\$ <u><u>942,730</u></u>	\$ <u><u>86,604</u></u>

TOWN OF LOVETTSVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type activities

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Direct borrowings and placements</u>		
<u>General Obligation and Revenue Bonds:</u>		
\$2,005,000 Series 2015A Refunding Revenue bonds issued through Virginia Resource Authority on May 28, 2015, bearing interest at 3.125 percent to 5.125 percent payable in semi-annual installments. Principal payable annually through October 1, 2027.	\$ 710,000	\$ 225,000
\$476,327 Virginia Resource Authority bond issued October 23, 2009, payable in semi-annual installments of \$17,284, bearing interest at 2.65 percent. Final payment due March 1, 2030.	<u>148,238</u>	<u>28,127</u>
Total general obligation and revenue bonds	\$ <u>858,238</u>	\$ <u>253,127</u>
Premium on bond issuance	\$ <u>18,444</u>	\$ <u>10,883</u>
<u>Equipment Loan</u>		
\$425,000 Tax-Exempt Lease/Purchase Agreement made on February 15, 2019, payable in semi-annual installments of \$18,220, bearing interest at 3.414 percent. Final payment due February 15, 2034.	\$ <u>280,329</u>	\$ <u>27,099</u>
Compensated absences	\$ <u>23,295</u>	\$ <u>2,330</u>
Net OPEB liability	\$ <u>13,588</u>	\$ <u>-</u>
Total business-type activities	\$ <u><u>1,193,894</u></u>	\$ <u><u>293,439</u></u>

TOWN OF LOVETTSVILLE, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)**

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type activities (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30</u>	<u>General Obligation & Revenue Bonds</u>		<u>Equipment Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 253,127	\$ 29,468	\$ 27,099	\$ 9,341
2027	268,877	16,802	28,033	8,408
2028	274,647	6,053	28,998	7,443
2029	30,438	1,434	29,996	6,444
2030	31,149	622	31,029	5,412
2031-2034	-	-	135,174	10,588
Total	\$ <u>858,238</u>	\$ <u>54,379</u>	\$ <u>280,329</u>	\$ <u>47,636</u>

NOTE 9—FUND BALANCE AND NET POSITION

Designations segregate portions of the fund balance and net position that are earmarked for specific purposes. The Town Council and management establish the various designations.

Fund balance and net position in the Fund Financial Statements are classified as follows:

General Fund

Nonspendable prepaid items	\$ 16,260
Restricted:	
Proffers	12,017
Assigned:	
Debt Service	261,939
Events	16,433
Capital asset replacement	1,041,108
Unassigned	2,454,160
Fund Balance, General Fund	\$ <u>3,801,917</u>

Utilities Fund

Net investment in capital assets	\$ 7,213,162
Restricted:	
Frye Court Service Tax District	21,103
Net pension asset	120,803
Unrestricted net position	3,371,035
Net Position	\$ <u>10,726,103</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 10–LEASES RECEIVABLE

The Town leases properties to third parties. Lease revenue totaled \$185,082 for the business-type activities for the year ended June 30, 2025. Discount rates vary on lease receivables from 1.00% to 2.00%. Leases are due monthly, with ending lease terms ranging from December 2024 to December 2029. The following summarizes the balances related to these leases for the year ended June 30, 2025:

		Business-type Activities
AT&T cell tower lease	\$	2,962
Verizon cell tower lease		35,806
AT&T cell tower lease (water tower)		177,343
Sprint cell tower lease		135,670
Total	\$	<u><u>351,781</u></u>

NOTE 11–COMPENSATED ABSENCES

The Town has accrued liabilities arising from compensated absences.

Town employees earn annual leave at various rates. Sick leave is paid upon separation of employment with the Town up to an amount equal to 25 percent of the unused balance. Accumulated vacation and annual leave is paid upon termination up to a maximum of 280 hours. The Town’s General fund had outstanding accrued leave pay totaling \$36,962 and the Utilities Fund had outstanding accrued leave pay of \$23,295 at year-end.

NOTE 12–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 with other municipalities in the Commonwealth of Virginia in a public entity risk pool that operates as a common risk management and insurance program for member municipalities. The Town is not self-insured.

The Town has insurance coverage with the Virginia Risk Sharing Association (VRSA). Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications 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 a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion that the premium of each bear to the total premiums of all members in the year in which such deficit occurs. The Town's settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13--PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer 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.

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13--PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	3
Inactive members:	
Vested inactive members	3
Non-vested inactive members	1
Inactive members active elsewhere in VRS	8
Total inactive members	12
Active members	7
Total covered employees	22

NOTE 13--PENSION PLAN: (CONTINUED)

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.

The Town’s contractually required employer contribution rate for the year ended June 30, 2025 was 4.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This 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. Contributions to the pension plan from the Town were \$35,853 and \$24,720 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$4,572 for the Town for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$20,436 for the Town for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$457,184 for the Town for the year ended June 30, 2025.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Town’s net pension asset was measured as of June 30, 2024. The total pension liabilities used to calculate the net pension asset were determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

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

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13--PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

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 and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13--PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan 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.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 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 with a Modified MP-2020 Improvement Scale; 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 with a Modified MP-2020 Improvement Scale; 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 with a Modified MP-2020 Improvement Scale; 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 and VRS Board action are as follows:

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)**Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)**

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
Discount Rate	No change

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset 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%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	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 nominal return**			7.07%

*The above allocation provides a one-year expected 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%.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13--PENSION PLAN: (CONTINUED)***Long-Term Expected Rate of Return (Continued)***

**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%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 686,270	\$ 936,941	\$ (250,671)
Changes for the year:			
Service cost	\$ 64,824	\$ -	\$ 64,824
Interest	48,925	-	48,925
Differences between expected and actual experience	13,133	-	13,133
Contributions - employer	-	24,720	(24,720)
Contributions - employee	-	29,838	(29,838)
Net investment income	-	90,680	(90,680)
Benefit payments, including refunds	(52,554)	(52,554)	-
Administrative expenses	-	(595)	595
Other changes	-	18	(18)
Net changes	\$ 74,328	\$ 92,107	\$ (17,779)
Balances at June 30, 2024	\$ 760,598	\$ 1,029,048	\$ (268,450)

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13--PENSION PLAN: (CONTINUED)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability (asset) 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town			
Net Pension Liability (Asset)	\$ (159,655)	\$ (268,450)	\$ (347,654)

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

For the year ended June 30, 2025, the Town recognized pension expense of (\$44,094). At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,392	\$ 31,973
Change in assumptions	371	-
Net difference between projected and actual earnings on pension plan investments	-	22,836
Employer contributions subsequent to the measurement date	35,853	-
Total	\$ 45,616	\$ 54,809

\$35,853 was reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, 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 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government
2026	\$ (42,203)
2027	7,855
2028	(5,222)
2029	(5,476)
2030	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 13--PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.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 14--GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN)

Plan Description

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

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI 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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 14--GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable 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 was \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Plan 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 GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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. Contributions to the Group Life Insurance Plan from the entity were \$3,770 and \$3,531 for the years ended June 30, 2025 and June 30, 2024, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2025, the entity reported a liability of \$28,456 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .00255% as compared to .00231% at June 30, 2023.

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$258. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 14--GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

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	\$ 4,488	\$ 695
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,399
Change in assumptions	162	1,410
Changes in proportionate share	3,402	4,256
Employer contributions subsequent to the measurement date	3,770	-
Total	\$ 11,822	\$ 8,760

\$3,770 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’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 of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2026	\$ (2,227)
2027	(466)
2028	547
2029	560
2030	878
Thereafter	-

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 14--GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Largest Ten 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 forward 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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 14--GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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 and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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 age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty 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 Scale:

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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 14–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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 and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’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 GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	\$	1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 14--GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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's 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)	Long-Term Target Asset 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%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	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>

*The above allocation provides a one-year expected 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 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%.

NOTE 14–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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 ended June 30, 2024, the rate contributed by the entity for the GLI OPEB 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 contribution 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’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.

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the GLI Plan				
Net OPEB Liability	\$	44,253	\$ 28,456	\$ 15,694

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.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 15–COVID-19 PANDEMIC FUNDING

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments were to receive funds in two tranches, with 50% provided beginning in June 2021 and the second tranche received in FY2023.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2025 (Continued)

NOTE 15—COVID-19 PANDEMIC FUNDING: (CONTINUED)

ARPA Funding (Continued)

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds in the amount of \$1,140,231. On July 22, 2022, the Town received its share of the second half of the CSLFRF funds in the amount of \$1,140,231. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$210,391 are reported as unearned revenue as of June 30.

NOTE 16—UPCOMING PRONOUNCEMENTS

Statement No. 103, *Financial Reporting Model Improvements*, 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 17—ADOPTION OF ACCOUNTING PRINCIPLE

The Town adopted GASB Statement No. 101, *Compensated Absences*. Since the impact of the change in accounting principle was not significant, there was no restatement of beginning balances.

Required Supplementary Information

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 777,381	\$ 777,381	\$ 774,727	\$ (2,654)
Other local taxes	783,729	783,729	1,100,831	317,102
Permits, privilege fees and regulatory licenses	2,500	2,500	6,175	3,675
Revenue from use of money and property	50,400	50,400	80,466	30,066
Charges for services	-	-	7,695	7,695
Miscellaneous	144,110	144,110	33,681	(110,429)
Intergovernmental:				
Commonwealth	32,800	32,800	28,912	(3,888)
Total revenues	\$ 1,790,920	\$ 1,790,920	\$ 2,032,487	\$ 241,567
Expenditures:				
Current:				
General government administration	\$ 1,215,633	\$ 1,246,706	\$ 1,062,841	\$ 183,865
Public safety	17,000	17,000	-	17,000
Public works	282,244	282,244	284,458	(2,214)
Parks, recreation, and cultural	60,400	60,700	42,132	18,568
Community development	145,450	143,214	97,259	45,955
Debt service				
Principal retirement	137,890	137,890	137,694	196
Interest and fiscal charges	18,400	18,400	19,516	(1,116)
Total expenditures	\$ 1,877,017	\$ 1,906,154	\$ 1,643,900	\$ 262,254
Excess (deficiency) of revenues over expenditures	\$ (86,097)	\$ (115,234)	\$ 388,587	\$ 503,821
Other financing sources (uses):				
Transfers in	\$ 183,375	\$ 183,375	\$ 208,935	\$ 25,560
Transfers out	(173,000)	(173,000)	(173,000)	-
Total other financing sources (uses)	\$ 10,375	\$ 10,375	\$ 35,935	\$ 25,560
Net change in fund balances	\$ (75,722)	\$ (104,859)	\$ 424,522	\$ 529,381
Fund balances at beginning of year	\$ 75,722	\$ 104,859	\$ 3,377,395	\$ 3,272,536
Fund balances at end of year	\$ -	\$ -	\$ 3,801,917	\$ 3,801,917

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2024

	2024	2023	2022	2021	2020	2019
Total pension liability						
Service cost	\$ 64,824	\$ 61,660	\$ 44,971	\$ 76,816	\$ 78,085	\$ 56,648
Interest	48,925	49,268	44,075	40,362	32,553	26,999
Differences between expected and actual experience	13,133	(90,868)	(25,943)	(121,423)	11,468	59
Changes of assumptions	-	-	-	15,535	-	18,876
Benefit payments	(52,554)	(4,055)	(1,652)	(860)	(11,969)	(68)
Net change in total pension liability	\$ 74,328	\$ 16,005	\$ 61,451	\$ 10,430	\$ 110,137	\$ 102,514
Total pension liability - beginning	686,270	670,265	608,814	598,384	488,247	385,733
Total pension liability - ending (a)	\$ 760,598	\$ 686,270	\$ 670,265	\$ 608,814	\$ 598,384	\$ 488,247
Plan fiduciary net position						
Contributions - employer	\$ 24,720	\$ 21,636	\$ 36,922	\$ 34,474	\$ 29,757	\$ 29,476
Contributions - employee	29,838	25,749	25,352	23,804	29,043	28,734
Net investment income	90,680	56,687	(2,714)	162,986	9,995	30,736
Benefit payments	(52,554)	(4,055)	(1,652)	(860)	(11,969)	(68)
Administrator charges	(595)	(513)	(454)	(339)	(291)	(226)
Other	18	23	20	16	(13)	(20)
Net change in plan fiduciary net position	\$ 92,107	\$ 99,527	\$ 57,474	\$ 220,081	\$ 56,522	\$ 88,632
Plan fiduciary net position - beginning	936,941	837,414	779,940	559,859	503,337	414,705
Plan fiduciary net position - ending (b)	\$ 1,029,048	\$ 936,941	\$ 837,414	\$ 779,940	\$ 559,859	\$ 503,337
Town's net pension liability (asset) - ending (a) - (b)	\$ (268,450)	\$ (250,671)	\$ (167,149)	\$ (171,126)	\$ 38,525	\$ (15,090)
Plan fiduciary net position as a percentage of the total pension liability	135.29%	136.53%	124.94%	128.11%	93.56%	103.09%
Covered payroll	\$ 653,890	\$ 543,650	\$ 529,388	\$ 490,074	\$ 591,279	\$ 585,180
Town's net pension liability (asset) as a percentage of covered payroll	-41.05%	-46.11%	-31.57%	-34.92%	6.52%	-2.58%

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2024

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 55,068	\$ 51,718	\$ 49,173	\$ 39,110
Interest	21,824	17,265	13,741	6,423
Differences between expected and actual experience	(2,901)	3,739	(12,577)	59,014
Changes of assumptions	-	(7,545)	-	-
Benefit payments	(68)	(6)	-	-
Net change in total pension liability	\$ 73,923	\$ 65,171	\$ 50,337	\$ 104,547
Total pension liability - beginning	311,810	246,639	196,302	91,755
Total pension liability - ending (a)	\$ 385,733	\$ 311,810	\$ 246,639	\$ 196,302
Plan fiduciary net position				
Contributions - employer	\$ 27,213	\$ 27,704	\$ 30,137	\$ 26,970
Contributions - employee	24,801	25,290	23,400	21,041
Net investment income	26,296	34,012	5,026	7,499
Benefit payments	(68)	(6)	-	-
Administrator charges	(179)	(140)	(85)	(53)
Other	(26)	(33)	(2)	(1)
Net change in plan fiduciary net position	\$ 78,037	\$ 86,827	\$ 58,476	\$ 55,456
Plan fiduciary net position - beginning	336,668	249,841	191,365	135,909
Plan fiduciary net position - ending (b)	\$ 414,705	\$ 336,668	\$ 249,841	\$ 191,365
Town's net pension liability (asset) - ending (a) - (b)	\$ (28,972)	\$ (24,858)	\$ (3,202)	\$ 4,937
Plan fiduciary net position as a percentage of the total pension liability	107.51%	107.97%	101.30%	97.48%
Covered payroll	\$ 550,620	\$ 518,076	\$ 500,141	\$ 435,845
Town's net pension liability (asset) as a percentage of covered payroll	-5.26%	-4.80%	-0.64%	1.13%

Schedule of Employer Contributions

Pension Plan

Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 35,853	\$ 35,853	\$ -	\$ 802,081	4.47%
2024	24,720	24,720	-	653,890	3.78%
2023	21,637	21,637	-	543,650	3.98%
2022	36,922	36,922	-	529,388	6.97%
2021	35,481	35,481	-	490,074	7.24%
2020	30,569	30,569	-	591,279	5.17%
2019	30,254	30,254	-	585,180	5.17%
2018	46,435	46,435	-	550,620	8.43%
2017	44,781	44,781	-	518,076	8.64%
2016	51,284	51,284	-	500,141	10.25%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information
Pension Plan
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. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 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
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Town's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.0026%	\$ 28,456	\$ 653,890	4.35%	73.41%
2023	0.0023%	27,704	543,650	5.10%	69.30%
2022	0.0024%	29,260	529,388	5.53%	67.21%
2021	0.0023%	27,127	480,913	5.64%	67.45%
2020	0.0029%	48,396	596,601	8.11%	52.64%
2019	0.0030%	49,306	593,763	8.30%	52.00%
2018	0.0027%	41,000	514,393	7.97%	51.22%
2017	0.0029%	43,000	550,620	7.81%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

Years Ended June 30, 2018 through June 30, 2025

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 3,770	\$ 3,770	\$ -	\$ 802,081	0.47%
2024	3,531	3,531	-	653,890	0.54%
2023	2,936	2,936	-	543,650	0.54%
2022	2,859	2,859	-	529,388	0.54%
2021	2,578	2,578	-	480,913	0.54%
2020	3,126	3,126	-	596,601	0.52%
2019	3,111	3,111	-	593,763	0.52%
2018	2,675	2,675	-	514,393	0.52%

Schedule is intended to show information for 10 years. Since 2025 is the eighth year for this presentation, only eight years of data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 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. 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)	Update to Pub-2010 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 age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 40,397	\$ 40,397
Intergovernmental:				
Commonwealth	<u>940,000</u>	<u>3,007,981</u>	<u>468,611</u>	<u>(2,539,370)</u>
Total revenues	<u>\$ 940,000</u>	<u>\$ 3,007,981</u>	<u>\$ 509,008</u>	<u>\$ (2,498,973)</u>
Expenditures:				
Current:				
General government administration	\$ 610,030	\$ 610,030	\$ 278,378	\$ 331,652
Public works	<u>788,400</u>	<u>1,320,737</u>	<u>446,018</u>	<u>874,719</u>
Total expenditures	<u>\$ 1,398,430</u>	<u>\$ 1,930,767</u>	<u>\$ 724,396</u>	<u>\$ 1,206,371</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (458,430)</u>	<u>\$ 1,077,214</u>	<u>\$ (215,388)</u>	<u>\$ (1,292,602)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 173,000	\$ 173,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,000</u>	<u>\$ 173,000</u>
Net change in fund balances	\$ (458,430)	\$ 1,077,214	\$ (42,388)	\$ (1,119,602)
Fund balances (deficit) at beginning of year	<u>458,430</u>	<u>(1,077,214)</u>	<u>(313,426)</u>	<u>763,788</u>
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (355,814)</u>	<u>\$ (355,814)</u>

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 777,381	777,381	\$ 774,727	\$ (2,654)
Total general property taxes	\$ 777,381	\$ 777,381	\$ 774,727	\$ (2,654)
Other local taxes:				
Local sales and use taxes	\$ 298,200	\$ 298,200	\$ 436,097	\$ 137,897
Utility tax	15,000	15,000	19,557	4,557
Business license tax	67,000	67,000	92,272	25,272
Cigarette tax	25,500	25,500	23,250	(2,250)
Bank franchise taxes	25,000	25,000	29,565	4,565
Meals tax	275,625	275,625	410,510	134,885
Conduit tax	24,904	24,904	26,915	2,011
Transient occupancy tax	2,500	2,500	484	(2,016)
Motor vehicle licenses	50,000	50,000	62,181	12,181
Total other local taxes	\$ 783,729	\$ 783,729	\$ 1,100,831	\$ 317,102
Permits, privilege fees and regulatory licenses:				
Licenses and zoning permits	\$ 2,500	\$ 2,500	\$ 6,175	\$ 3,675
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 80,316	\$ 30,316
Revenue from use of property	400	400	150	(250)
Total revenue from use of money and property	\$ 50,400	\$ 50,400	\$ 80,466	\$ 30,066
Charges for services:				
Engineering	\$ -	\$ -	\$ 670	\$ 670
Zoning	-	-	7,025	7,025
Total charges for services	\$ -	\$ -	\$ 7,695	\$ 7,695
Miscellaneous:				
Miscellaneous income	\$ 116,610	\$ 116,610	\$ 23,756	\$ (92,854)
Donations	27,500	27,500	9,925	(17,575)
Total revenue from miscellaneous revenue	\$ 144,110	\$ 144,110	\$ 33,681	\$ (110,429)
Total revenue from local sources	\$ 1,758,120	\$ 1,758,120	\$ 2,003,575	\$ 245,455

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2025 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<u>General Fund: (continued)</u>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 9,500	\$ 9,500	\$ 8,001	\$ (1,499)
Auto rental	2,000	2,000	1,648	(352)
Rolling stock tax	50	50	-	(50)
Total noncategorical aid	\$ 11,550	\$ 11,550	\$ 9,649	\$ (1,901)
Categorical aid:				
Litter control grant	\$ 1,000	\$ 1,000	\$ 2,263	\$ 1,263
Fire funds	17,000	17,000	15,000	(2,000)
Other state funds	3,250	3,250	2,000	(1,250)
Total categorical aid	\$ 21,250	\$ 21,250	\$ 19,263	\$ (1,987)
Total revenue from the Commonwealth	\$ 32,800	\$ 32,800	\$ 28,912	\$ (3,888)
Total General Fund	\$ 1,790,920	\$ 1,790,920	\$ 2,032,487	\$ 241,567
<u>Capital Projects Fund:</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 40,397	\$ 40,397
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Street and highway maintenance	\$ 940,000	\$ 3,007,981	\$ 468,611	\$ (2,539,370)
Total Capital Projects Fund	\$ 940,000	\$ 3,007,981	\$ 509,008	\$ (2,498,973)
Total Primary Government	\$ 2,730,920	\$ 4,798,901	\$ 2,541,495	\$ (2,257,406)

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2025

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
Administration:				
Administrative salaries	\$ 753,213	\$ 753,213	\$ 691,311	\$ 61,902
Council salaries	18,000	18,000	15,000	3,000
Payroll taxes	51,100	51,100	51,149	(49)
Health insurance	25,000	24,840	16,843	7,997
Retirement	46,460	46,460	46,598	(138)
Audit	14,500	14,500	12,960	1,540
Legal	50,000	50,000	53,460	(3,460)
Consultants	74,670	79,734	21,638	58,096
Advertising	10,000	8,200	4,592	3,608
Telephone	6,180	6,180	5,668	512
Postage	750	1,050	924	126
Software	18,500	13,436	9,405	4,031
Website	33,570	33,764	36,519	(2,755)
Copier	5,550	5,550	4,946	604
Books and subscriptions	100	100	-	100
Office	12,900	20,641	19,513	1,128
Snow removal	2,500	8,319	8,319	-
Landscaping	6,800	6,800	3,788	3,012
Repairs and maintenance	22,800	48,969	26,215	22,754
Education and training	9,500	9,500	2,521	6,979
Miscellaneous	21,720	14,530	12,067	2,463
Total administration	\$ 1,183,813	\$ 1,214,886	\$ 1,043,436	\$ 171,450
Buildings and grounds:				
Utilities	\$ 2,000	\$ 2,000	\$ 1,847	153
Total buildings and grounds	\$ 2,000	\$ 2,000	\$ 1,847	153
Other general government:				
Bank fees	\$ 1,500	\$ 1,500	\$ 629	\$ 871
Tourism and branding	3,185	3,185	2,074	1,111
Dues	5,085	5,085	3,049	2,036
Insurance	16,300	16,300	9,356	6,944
Code enforcement	1,000	1,000	-	1,000
Hospitality	2,750	2,750	2,450	300
Total other general government	\$ 29,820	\$ 29,820	\$ 17,558	\$ 12,262
Total general government	\$ 1,215,633	\$ 1,246,706	\$ 1,062,841	\$ 183,865

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2025

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (Continued)				
Public safety:				
Other public safety:				
Fire fund allocation	\$ 17,000	\$ 17,000	\$ -	\$ 17,000
Total public safety	\$ 17,000	\$ 17,000	\$ -	\$ 17,000
Public works:				
Street lights:				
Electricity - street lights	\$ 25,000	\$ 25,000	\$ 27,389	\$ (2,389)
Street and road cleaning:				
Street signs	\$ 1,200	\$ 1,200	\$ 5,271	\$ (4,071)
Sanitation and waste removal:				
Refuse services	\$ 256,044	\$ 256,044	\$ 251,798	\$ 4,246
Total public works	\$ 282,244	\$ 282,244	\$ 284,458	\$ (2,214)
Parks, recreation and cultural:				
Maintenance	\$ 28,300	\$ 28,900	\$ 22,099	\$ 6,801
Litter grant	1,000	1,000	-	1,000
Utilities	13,200	13,155	11,528	1,627
Tree support	6,000	6,000	2,980	3,020
Supplies and beautification	9,900	9,645	3,665	5,980
Tools and equipment	2,000	2,000	1,860	140
Total parks, recreation and cultural	\$ 60,400	\$ 60,700	\$ 42,132	\$ 18,568
Community development:				
Planning:				
Engineering	\$ 12,000	\$ 12,000	\$ -	\$ 12,000
Planning commission salaries	8,400	8,400	6,700	1,700
Events	112,050	109,814	82,736	27,078
Training	3,000	3,000	1,148	1,852
Total planning	\$ 135,450	\$ 133,214	\$ 90,584	\$ 42,630
Events:				
Love America	\$ 1,250	\$ 1,250	\$ 707	\$ 543
Love summer	6,250	6,250	5,289	961
Love winter	2,500	2,500	679	1,821
Total events	\$ 10,000	\$ 10,000	\$ 6,675	\$ 3,325
Total community development	\$ 145,450	\$ 143,214	\$ 97,259	\$ 45,955

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2025

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<u>General Fund: (Continued)</u>				
Debt service:				
Principal	\$ 137,890	\$ 137,890	\$ 137,694	\$ 196
Interest	18,400	18,400	19,516	(1,116)
Total debt service	\$ 156,290	\$ 156,290	\$ 157,210	\$ (920)
Total General Fund	\$ 1,877,017	\$ 1,906,154	\$ 1,643,900	\$ 262,254
<u>Capital Projects Fund:</u>				
General government administration:				
Town Square Improvements	\$ 52,030	\$ 52,030	\$ 30,000	\$ 22,030
Town clock tower	-	-	4,600	(4,600)
Broad Way Improvements	470,000	470,000	187,939	282,061
Town facilities	40,000	40,000	33,400	6,600
Other general capital projects	48,000	48,000	22,439	25,561
Total general government administration	\$ 610,030	\$ 610,030	\$ 278,378	\$ 331,652
Public works:				
Quarter Branch Barn Improvements	\$ 50,000	\$ 97,000	\$ 21,500	\$ 75,500
Loudoun Street Improvements	528,400	693,143	308,362	384,781
S Church Street Improvements	210,000	530,594	116,156	414,438
Total public works	\$ 788,400	\$ 1,320,737	\$ 446,018	\$ 874,719
Total Capital Projects Fund	\$ 1,398,430	\$ 1,930,767	\$ 724,396	\$ 1,206,371
Total Primary Government	\$ 3,275,447	\$ 3,836,921	\$ 2,368,296	\$ 1,468,625

Compliance



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' 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***

**To the Honorable Town Council
Town of Lovettsville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lovettsville, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Lovettsville, Virginia's basic financial statements and have issued our report thereon dated November 7, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Lovettsville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Town of Lovettsville, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Town of Lovettsville, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Town of Lovettsville, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Charlottesville, Virginia
November 7, 2025

TOWN OF LOVETTSVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

FINDINGS - FINANCIAL STATEMENT

A. Material Weaknesses in Internal Control

2025-001 Financial Statement Presentation

Criteria: The management and staff of the Town should prepare financial statements in accordance with generally accepted accounting principles.

Condition: The management and staff of the Town lack the expertise to prepare financial statements in accordance with generally accepted accounting principles.

Cause: The Town did not perform accurate reconciliations, or prepare year end adjusting accrual entries in order to prepare the financial statements in accordance with governmental accounting principles during the fiscal year.

Effect: The Town's financial statements may be misstated without the assistance and expertise of a third party.

Recommendation: The Town should employ a full-time employee or consultant to provide knowledge and expertise in preparing the Town’s financial statements in accordance with generally accepted accounting principles.

Management's response: Management recommends that the full-time Treasurer continue education opportunities to enhance their skills in preparing year-end adjusting accrual entries to provide financial statements in accordance with generally accepted accounting principles (GAAP). This will help ensure more accurate financial reporting and adherence to proper accounting standards.