

Comprehensive Annual Financial Report



Fiscal Year Ended

June 30, 2012

TOWN OF ASHLAND, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2012

Prepared by:

Department of Finance
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TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012

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INTRODUCTORY SECTION



Town of Ashland

Center of the Universe

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P.O. BOX 1600
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October 16, 2012

The Honorable Members of Town Council
Town of Ashland
Ashland, Virginia 23005

Dear Members of Town Council:

Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia (Town) for the fiscal year ended June 30, 2012, is submitted herewith as required by the *Code of Virginia*. This report was prepared by the Finance Office in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town.

Included in these financial statements is the General Fund, Capital Projects Fund, and a fund for Other Post Employment Benefits. These funds are included in the financial statements because they meet the control and dependence criteria. The Town adopts budgets, has taxing authority, is obligated for debts, and must finance any deficits that occur in the above funds. The Financial Report includes a separate Introductory Section, Financial Section, Statistical Section and a Compliance Section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

FAYE O.
PRICHARD
MAYOR

GEORGE F.
SPAGNA, JR.
VICE MAYOR

JAMES R.
FOLEY
COUNCIL MEMBER

STEVEN P.
TRIVETT
COUNCIL MEMBER

EDWARD L.
HENSON, III
COUNCIL MEMBER

CHARLES W.
HARTGROVE
TOWN MANAGER

ANDREA E.
ERARD
TOWN ATTORNEY

LOIS A. SMITH
CLERK OF COUNCIL

Significant Local Events

Within the metropolitan Richmond area, as with the rest of the Country, the economy is slowly rebounding. Retail development has picked up slightly in Ashland and the Richmond region. As the only incorporated town in the Richmond area, Ashland finds itself the subject of attention of those seeking a small town type of atmosphere, with easy access to multiple modes of transportation, in which to live or work.

In terms of the local economy, the level of activity in and around the Town has remained constant during the 2011-12 fiscal year. The number of vacant commercial and industrial properties has decreased slightly during the last fiscal year, and this trend is expected to continue in the coming years.

Three industrial parks are located within the Town, all of them located between Washington Highway (U.S. Route 1) and Interstate 95. The Ashland Business Park is the largest of these having a total of one hundred eighty-seven acres. The second and final phase of the park will have more direct access to Interstate 95, and potential for up to two million square feet of commercial and industrial space.

The ninety-acre Ashcake Village Industrial Park has a variety of contractors, wholesalers and small manufacturers as does Ashland Park, a forty-five acre industrial park. All of the industrial parks are privately owned, indicating the strength of the local private sector. The Virginia Transportation Center on U.S. Route 1 in North Ashland provides an additional eighty-three acre park with an emphasis on transportation related uses. This particular business park will be developed as a major distribution site for a national retailer in fiscal year 2013.

As mentioned previously, commercial building activity has been slow during fiscal year 2012 with few new businesses occupying space in existing buildings and very little construction of new buildings. Thirteen commercial certificates of occupancy were issued during the year. Commercial CO's primarily came from tenant up-fits for new uses in existing buildings. Commercial activity has been equalized in the downtown area with recent closings of existing businesses and openings of new businesses.

Residential construction has continued through both an infill process of construction of a small number of houses on previously subdivided lots. Twenty certificates of occupancy were issued for residential units in Ashland during the year, representing a 47% annual decrease in the total number of residential units compared to the previous fiscal year.

Prospects for the Future

With the national economy turning the corner, and a regional economy expanding at a much slower rate, the vacant commercial and industrial sites and buildings in Ashland provide an opportunity for some growth in the future. The service industry will open several new businesses that will expand the meals and transient occupancy taxes. Activity has stabilized in many industries, including manufacturing, distribution and professional offices.

The Town Council has maintained one of the lowest property tax rates in the Commonwealth while broadening the tax base through other revenue sources. Property tax rates have been substantially reduced over the past decade. For example, the personal property tax rate was reduced 15% in 1996-97. For fiscal years 2002 and 2005, the Town reduced both the real property tax rate and the business and professional occupation license rate. The Town Council did increase the real property tax rate by \$.02 to bring the rate to \$.09 for the 2008-09 fiscal year. The Town increased the meals tax and the transient occupancy tax in fiscal year 2005 to 5%. In fiscal year 2010, the Town Council instituted a cigarette tax of \$.19/pack. Continued growth in the overall tax base has allowed the Town to maintain an unreserved fund balance to cover certain capital projects, emergencies and to provide adequate cash flow.

Another objective of Town Council has been to address major service needs and infrastructure repairs. These projects were funded from a variety of sources including cash reserves, state recreation grants, and state road maintenance funds. Continued sidewalks, street, and curb/gutter improvements are featured in the fiscal year 2013 budget. In addition to these infrastructure improvements, the Town will also pay off its last piece of outstanding debt in fiscal year 2013 while continuing to fund infrastructure projects on a pay-as-you-go basis.

Financial Information

We believe the data, as presented herein, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included.

In accordance with the requirements of the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, as well as its component unit, which is a legally separate organization for which the Town is financially accountable. The discretely presented component unit qualifying for inclusion in this report is the Town of Ashland Economic Development Authority. The discretely presented component unit is reported separately in the financial statements to emphasize that it is legally separate from the primary government and to differentiate their financial position, and results of operations from those of the primary government.

Accounting System and Budgetary Control

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of the Town's internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Town's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Administrative budgetary control is maintained at the line item level of expenditures prior to the release of purchase orders to vendors.

History and Description of Government

Ashland, the only incorporated town in Hanover County, is located approximately fifteen miles north of Richmond, Virginia. Interstate 95, a major north-south highway, is located in the eastern portion of Ashland. The 2010 census indicated Ashland is split into two census tracts; the north tract (#320602) and the south tract (#320601). In 2010, population in the north tract was 3,098 and population in the south tract was 4,243, for a total population of 7,343. This represents a growth in population of 17.6% since the 2000 census. The total population of Hanover County in 2010 was 99,863 which is a 15.7% increase in ten years. Ashland's population represented approximately 7 1/2% of Hanover's 2010 population of 99,863.

The government of the Town is under the direction of a Town Council elected by Town voters. The Town Council is made up of five members elected for staggered four-year terms. The Council elects the Mayor from its membership for a two-year term of office. Council elects a Vice Mayor from among the four remaining members.

The Town owns and maintains all public roads within Ashland except the Interstate highway. It also provides planning and zoning control, drainage facilities, garbage, brush and recycling collection, police protection, parks as well as other services to its residents.

The Town operates under the Council-Manager form of government where the Council appoints a Town Manager to act as administrative head of the Town. The Manager serves at the pleasure of Council, carries out its policies, directs business procedures, and has the power of appointment and removal of heads of all departments and employees of the Town.

The Council also appoints the Town Attorney and Clerk of Council. The assessment of real estate is by the County Assessor while the Commissioner of Revenue of Hanover County, who is elected by the voters, handles assessments of personal property.

The Town is a part of Hanover County, and the residents of the Town are, in most cases, subject to taxation by both the Town and the County. The Town pre-empts County taxation in the following revenue sources: vehicle licensing, business license taxes, and consumer utility taxes. Among the services the County provides that benefit Town residents are: public schools, water and sewer service, health services, public assistance, libraries and the Sheriff's Department.

The Town was originally founded as a summer community by the Richmond, Fredericksburg and Potomac Railroad Company. A few years later, Randolph-Macon College moved to the Town bringing additional growth. After the construction of U.S. Route 1 in the early 1900s, an increase in tourist-related growth began. Tourism continued to grow with the opening of Interstate 95 in 1963 and, in the 1970s, of Kings Dominion, a large amusement park eight miles north of Ashland. The expansion of the Richmond metropolitan area throughout the 1980's and 1990's has brought added development activity to the Ashland/Hanover area.

Most of the employers in the Town are retail, service, or government related. The major employers within the immediate area include the Hanover County School Board; Randolph-Macon College, a private coeducational college of 1,200 students, and Wal-Mart (which are all located within the Town); Produce Source Partners; AMF Bowling Worldwide; Tyson's; Commonwealth of Virginia; and Altria Group, Inc. (parent company of Philip Morris, U.S.). A large number of citizens are also employed in the Hanover Airpark, just South of Ashland, the City of Richmond, and Henrico County.

Independent Audit

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of the Town and all of its departments by independent certified public accountants selected by the Town Council. The requirement has been complied with and the auditor's opinion follows this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ashland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of Ashland has received a Certificate of Achievement for the last twenty-five consecutive years (fiscal years ended 1987 - 2011). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

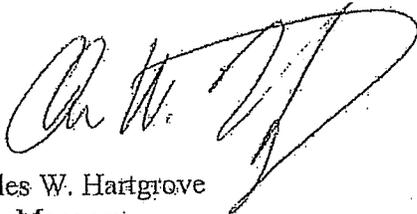
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Office. We would like to express our appreciation to all those who assisted in and contributed to the preparation of this report.

We would also like to thank the members of Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Joshua S. Farrar
Deputy Town Manager/Finance Director



Charles W. Hartgrove
Town Manager

TOWN OF ASHLAND, VIRGINIA

Directory of Principal Officials

OFFICIALS

Faye O. Prichard

Mayor

Dr. George F. Spagna, Jr.

Vice-Mayor

MEMBERS OF COUNCIL

James R. Foley

Edward L. "Ned" Henson, III

Steven P. Trivett

OTHER OFFICIALS

Charles W. Hartgrove

Joshua Farrar

Lois A. Smith

Andrea G. Erard

Town Manager

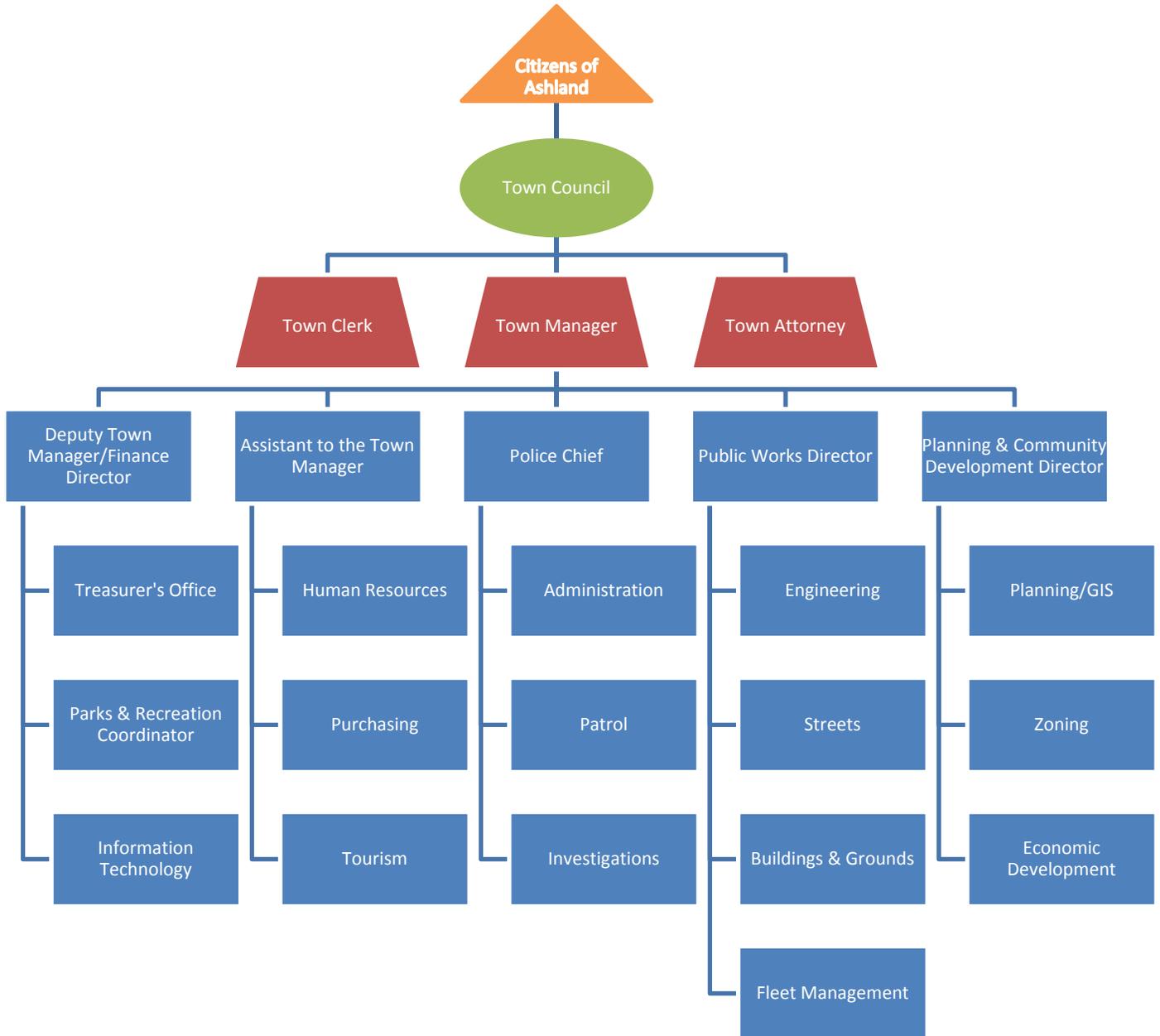
Deputy Town Manager/Finance Director

Clerk of the Council

Town Attorney

TOWN OF ASHLAND, VIRGINIA

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ashland
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Town of Ashland, Virginia
Ashland, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Ashland, Virginia, (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the remaining fund information of the Town, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the Town restated beginning net assets in the governmental activities, fund balance of the General Fund, and net assets in the Economic Development Authority to correct errors in recording materially significant transactions in previous years. We also audited the adjustments described in Note 13 that were applied to restate beginning net assets and fund balance. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (pages 3-8) and the required supplementary information (page 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedules listed in the table of contents as supplementary information and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying introductory and statistical sections, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
October 5, 2012

Town of Ashland, Virginia Management's Discussion and Analysis

As management of the Town of Ashland, Virginia (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and with the Town's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$23,892,456 (net assets).

Fund Financial Statements

The governmental funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$361,778.

- As of the close of the current fiscal year, the Town's funds reported ending fund balances of \$7,130,232, an increase of \$361,778 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,722,404, or 62.1% of total general fund expenditures and other uses.
- Combined long-term obligations of the Town decreased by \$36,398 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

1. Government-wide financial statements,
2. fund financial statements, and
3. notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police protection, street maintenance, sanitation, building and grounds maintenance, recreation and community development.

The government-wide financial statements include not only the Town of Ashland, Virginia (known as the primary government), but also a legally separate economic development authority for which the Town is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town fall under the category of governmental funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on a near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town has two major governmental funds - the General Fund and the Capital Projects Fund.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules, the Town's progress in funding its obligations to provide retirement benefits to its employees, and for presentation of financial statements for the discretely presented component unit - Economic Development Authority. The Authority does not issue separate financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$23,892,456 at the close of the most recent fiscal year. The following table summarizes the Town's statement of net assets:

Summary Statement of Net Assets June 30, 2012 and 2011

	Governmental Activities	
	2012	2011
Current and other assets	\$ 7,696,737	\$ 7,352,637
Capital assets	16,935,556	17,276,651
Total assets	24,632,293	24,629,288
Current liabilities	406,808	418,158
Noncurrent liabilities	333,029	369,427
Total liabilities	739,837	787,585
Net assets:		
Invested in capital assets, net of related debt	16,895,598	17,197,710
Unrestricted	6,996,858	6,643,993
Total net assets	\$ 23,892,456	\$ 23,841,703

The Town's net assets increased by \$50,753 during the current fiscal year. The following table summarizes the Town's Statement of Activities:

Summary Statement of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 288,879	\$ 245,860
Operating grants and contributions	580,068	1,628,978
Capital grants and contributions	1,152,183	-
General revenues:		
General property taxes	925,815	960,473
Other local taxes	3,922,424	3,818,166
Grants and contributions not restricted	517,339	486,050
Other	98,718	10,587
Total revenues	<u>7,485,426</u>	<u>7,150,114</u>
Expenses:		
General government administration	989,332	1,171,713
Public safety	2,413,532	2,421,726
Public works	3,367,934	2,896,910
Health and welfare	-	(3,089)
Parks, recreation and cultural	202,295	201,744
Community development	460,829	441,047
Interest	751	2,351
Total expenses	<u>7,434,673</u>	<u>7,132,402</u>
Change in net assets	50,753	17,712
Net assets, beginning of year, as restated	<u>23,841,703</u>	<u>23,823,991</u>
Net assets, end of year	<u>\$ 23,892,456</u>	<u>\$ 23,841,703</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported fund balances of \$7,130,232, an increase of \$361,778 in comparison with the prior year. Increases in local tax revenue collections contributed substantially to this addition to the fund balances along with lower than anticipated expenditures for public works, non-departmental and general government administrative activities. Approximately 66% of the total fund balance constitutes unassigned General Fund balance, which is available for spending at the Town's discretion.

The Town Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$2,407,828, all of which was committed for current or future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The only change in revenues and expenditures between the original and final General Fund budget was the appropriation of \$14,783 in new revenue from an insurance recovery for expenditures in the Town Police Department. The budget was also amended to permit the transfer of an additional \$315,000 from the General Fund to the Capital Projects Fund for expenditure in future years for street and streetscape improvements.

During the year, revenues exceeded budgetary estimates by \$238,154. Expenditures were less than budgetary estimates by \$298,877, resulting in a positive budget variance of \$537,031.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2012 amounted to \$16,935,556 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and software.

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

Long-term obligations - At the end of the current fiscal year, the Town had total long-term obligations of \$333,029, which included bonded debt of \$39,958 and compensated absences of \$293,071. All of the bonded debt outstanding at June 30, 2012 was backed by the full faith and credit of the Town.

The Town's long-term obligations decreased by \$36,398 during the current fiscal year. The decrease was the result of a decrease in bonded debt outstanding of \$38,983 and an increase in the liability for compensated absences of \$2,585.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the County of Hanover, which includes the Town of Ashland, was 5.6% at June 30, 2012. The Commonwealth of Virginia's unemployment rate was 5.7% as of the same date.
- Inflationary trends in the region compare favorably to national indexes.

These factors were considered in preparing the Town's budget for the 2013 fiscal year.

The fiscal year 2013 budget decreased by approximately 2.3% compared to the Town's amended budget for fiscal year 2012. All tax rates remained unchanged.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, 101 Thompson Street, Ashland, Virginia, 23005.

BASIC FINANCIAL STATEMENTS

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Economic Development Authority
ASSETS		
Cash and cash equivalents	\$ 7,157,713	\$ 133,846
Receivables, net:		
Property taxes	133,093	-
Other accounts	255,705	-
Due from other governments	121,157	-
Prepaid other postemployment benefits	29,069	-
Capital assets:		
Land	2,455,375	-
Buildings and improvements	2,408,917	-
Machinery and equipment	2,231,462	-
Infrastructure	16,718,787	-
Software	81,556	-
Less: accumulated depreciation and amortization	(6,960,541)	-
Total assets	<u>24,632,293</u>	<u>133,846</u>
LIABILITIES		
Accounts payable	266,173	-
Accrued payroll and benefits	74,529	-
Unearned revenue	3,395	-
Performance bond payable	62,711	-
Noncurrent liabilities:		
Due within one year:		
Bonds payable	39,958	-
Compensated absences	29,307	-
Due in more than one year:		
Compensated absences	263,764	-
Total liabilities	<u>739,837</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	16,895,598	-
Unrestricted	6,996,858	133,846
Total net assets	<u>\$ 23,892,456</u>	<u>\$ 133,846</u>

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Entity/Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Economic Development Authority
Primary Government:						
Governmental activities:						
General government administration	\$ 989,332	\$ -	\$ -	\$ -	\$ (989,332)	\$ -
Public safety	2,413,532	220,380	202,397	6,020	(1,984,735)	-
Public works	3,367,934	2,152	372,671	1,146,163	(1,846,948)	-
Parks, recreation and cultural	202,295	66,347	-	-	(135,948)	-
Community development	460,829	-	5,000	-	(455,829)	-
Interest	751	-	-	-	(751)	-
Total governmental activities	7,434,673	288,879	580,068	1,152,183	(5,413,543)	-
Total primary government	\$ 7,434,673	\$ 288,879	\$ 580,068	\$ 1,152,183	(5,413,543)	-
Component Unit:						
Economic Development Authority	\$ 20,439	\$ 31,270	\$ -	\$ -	-	10,831
Total component unit	\$ 20,439	\$ 31,270	\$ -	\$ -	-	10,831
General Revenues:						
Taxes:						
General property taxes					925,815	-
Other local taxes:						
Meals					1,824,826	-
Transient occupancy					456,153	-
Business license					434,888	-
Local sales and use					353,643	-
Other					852,914	-
Intergovernmental, non-categorical aid					517,339	-
Use of money and property					23,517	1,702
Miscellaneous					75,201	-
Total general revenues					5,464,296	1,702
Change in net assets					50,753	12,533
Net assets, beginning, as restated					23,841,703	121,313
Net assets, ending					\$ 23,892,456	\$ 133,846

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 4,716,339	\$ 2,441,374	\$ 7,157,713
Receivables, net:			
Property taxes	133,093	-	133,093
Other accounts	255,705	-	255,705
Due from other governments	121,157	-	121,157
Total assets	\$ 5,226,294	\$ 2,441,374	\$ 7,667,668
LIABILITIES			
Accounts payable	\$ 232,627	\$ 33,546	\$ 266,173
Accrued payroll and benefits	74,529	-	74,529
Performance bond payable	62,711	-	62,711
Deferred revenue	134,023	-	134,023
Total liabilities	503,890	33,546	537,436
FUND BALANCES			
Committed:			
Capital projects	-	2,407,828	2,407,828
Unassigned	4,722,404	-	4,722,404
Total fund balances	4,722,404	2,407,828	7,130,232
Total liabilities and fund balances	\$ 5,226,294	\$ 2,441,374	\$ 7,667,668

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

	Governmental Funds
Total fund balances - governmental funds	\$ 7,130,232
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>	
Governmental capital assets	\$ 23,896,097
Less: accumulated depreciation and amortization	<u>(6,960,541)</u>
Net capital assets	16,935,556
<p>Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.</p>	
	130,628
<p>Other postemployment benefits (OPEB) assets (obligations) are are not current financial resources and, therefore, are not reported in the governmental funds.</p>	
	29,069
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>	
General obligation bonds	(39,958)
Compensated absences	<u>(293,071)</u>
	<u>(333,029)</u>
Net assets of governmental activities	<u>\$ 23,892,456</u>

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 962,153	\$ -	\$ 962,153
Other local taxes	3,922,424	-	3,922,424
Permits, privilege fees and regulatory licenses	58,518	-	58,518
Fines and forfeitures	144,895	-	144,895
Use of money and property	20,643	2,874	23,517
Charges for services	66,347	-	66,347
Miscellaneous	75,201	-	75,201
Recovered costs	19,751	-	19,751
Intergovernmental	2,248,958	-	2,248,958
Total revenues	7,518,890	2,874	7,521,764
Expenditures:			
Current:			
General government administration	926,453	-	926,453
Public safety	2,253,606	-	2,253,606
Public works	2,676,727	-	2,676,727
Parks, recreation and cultural	131,565	-	131,565
Community development	446,579	-	446,579
Nondepartmental	160,069	-	160,069
Capital projects	-	524,312	524,312
Debt service:			
Principal	38,983	-	38,983
Interest	1,692	-	1,692
Total expenditures	6,635,674	524,312	7,159,986
Revenues over (under) expenditures	883,216	(521,438)	361,778
Other financing sources (uses):			
Transfers in (out)	(966,998)	966,998	-
Total other financing sources (uses)	(966,998)	966,998	-
Net change in fund balances	(83,782)	445,560	361,778
Fund balances, beginning, as restated	4,806,186	1,962,268	6,768,454
Fund balances, ending	\$ 4,722,404	\$ 2,407,828	\$ 7,130,232

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

		Governmental Funds
Net change in fund balance - total governmental funds	\$	361,778
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.</p>		
Expenditures for capital assets	\$	346,148
Less: depreciation and amortization expense		(687,243)
Excess of depreciation and amortization over capital outlays		(341,095)
<p>Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.</p>		
Change in deferred revenue		(36,338)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Principal repayments:		
General obligation bonds		38,983
<p>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 governmental funds.</p>		
Change in:		
Accrued interest		941
Compensated absences		(2,585)
Other postemployment benefits		29,069
		27,425
Change in net assets of governmental activities	\$	50,753

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2012

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 968,000	\$ 968,000	\$ 962,153	\$ (5,847)
Other local taxes	3,769,000	3,769,000	3,922,424	153,424
Permits, privilege fees and regulatory licenses	30,900	30,900	58,518	27,618
Fines and forfeitures	140,000	140,000	144,895	4,895
Use of money and property	22,000	22,000	20,643	(1,357)
Charges for services	50,000	50,000	66,347	16,347
Miscellaneous	-	14,783	75,201	60,418
Recovered costs	139,952	139,952	19,751	(120,201)
Intergovernmental	2,146,101	2,146,101	2,248,958	102,857
Total revenues	7,265,953	7,280,736	7,518,890	238,154
Expenditures:				
Current:				
General government administration	973,862	973,862	926,453	(47,409)
Public safety	2,229,055	2,243,838	2,253,606	9,768
Public works	2,783,879	2,783,879	2,676,727	(107,152)
Parks, recreation and cultural	136,680	136,680	131,565	(5,115)
Community development	474,948	474,948	446,579	(28,369)
Nondepartmental	280,660	280,660	160,069	(120,591)
Debt service:				
Principal	38,984	38,984	38,983	(1)
Interest	1,700	1,700	1,692	(8)
Total expenditures	6,919,768	6,934,551	6,635,674	(298,877)
Revenues over expenditures	346,185	346,185	883,216	537,031
Other financing uses:				
Transfers out	(651,998)	(966,998)	(966,998)	-
Total other financing uses	(651,998)	(966,998)	(966,998)	-
Net change in fund balance	\$ (305,813)	\$ (620,813)	(83,782)	\$ 537,031
Fund balance, beginning, as restated			4,806,186	
Fund balance, ending			<u>\$ 4,722,404</u>	

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND**

June 30, 2012

	OPEB Trust Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 278,013
Total assets	<u>278,013</u>
NET ASSETS	
Held in trust for other postemployment benefits (OPEB)	<u>\$ 278,013</u>

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2012**

	OPEB Trust Fund
<hr/>	
Additions:	
Contributions:	
Employer	\$ 126,400
Plan members	<u>33,669</u>
Total contributions	<u>160,069</u>
Investment Income:	
From investment activities:	
Interest and dividends earned on investments	70
Net increase in fair value of investments	<u>3,457</u>
Total income from investment activities	<u>3,527</u>
Total additions	<u>163,596</u>
Deductions:	
Administrative fees	968
Benefits paid	<u>33,669</u>
Total deductions	<u>34,637</u>
Change in net assets	128,959
Net Assets, beginning	<u>149,054</u>
Net Assets, ending	<u><u>\$ 278,013</u></u>

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Ashland, Virginia (the “Town”) is governed by an elected five member Council. The Town provides a full range of services for its citizens. These services include police protection, refuse collection services, and recreational activities.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where the Town Council appoints a voting majority of the organization’s governing body and 1) is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. Financial accountability may also result where an organization is fiscally dependent on the Town regardless of whether the organization has 1) a separately elected governing board, 2) a governing board appointed by higher level of government, or 3) a jointly appointed board.

Blended component units, although legally separate entities, are, in substance, part of the Town’s operations, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2012. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Town.

Discretely Presented Component Unit

The Town of Ashland’s Economic Development Authority (the “Authority”) was created by Town Council to administer the issuance of industrial development revenue bonds and provide economic development activities for the Town. The Authority may also acquire property and issue debt in its own name and may also enter into lease/purchase arrangements with the Town. The Town appoints all seven of the members of the Authority’s Board of Directors and the Town Manager serves as the Secretary of the Authority. Due to these factors, the Town has the ability to significantly influence the fiscal affairs of the Authority. The Authority does not issue separate financial statements but is included in the Town’s financial statements for the fiscal year ended June 30, 2012 as a discretely presented component unit.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The following entities are jointly governed organizations and are excluded from the accompanying basic financial statements:

Central Virginia Waste Authority: The Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Municipalities of Colonial Heights, Hopewell, Petersburg, Richmond and the Town of Ashland provide financial support for the Authority and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The Town appoints one or more members to the Board. No one locality contributes more than 50% of the Authority's funding or has oversight responsibility over its operations. The Town has no equity interest in the Authority. Complete financial statements can be obtained from the office of the Central Virginia Waste Authority.

Pamunkey Regional Jail Authority: The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County of Hanover serves as fiscal agent for the Jail Authority; however, the board formulates and approves its own budget. The Town of Ashland does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it. The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the Town is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. Hanover County has agreed to pay the per diem rate for all prisoners of the Town, therefore, the Town made no contributions in fiscal year 2012. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the Town) and its component unit. These statements include the financial activities of the overall government, except fiduciary activities. For the most part, the effect of interfund activity has been removed. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

Capital Projects Fund

This fund accounts for financial resources to be used for capital outlays and construction. This fund is always considered major for public interest reasons.

The Town also reports the following fund type:

Fiduciary Fund

Fiduciary funds (trust and agency funds) account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These funds utilize the modified accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The Town's sole fiduciary fund is the Other Postemployment Benefits (OPEB) Trust Fund which accounts for activities of the Town's other postemployment benefits. This fund accumulates resources for health insurance for retired employees.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental activities of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (Continued)

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

1. On or before May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level for the General Fund and the Capital Projects fund. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Appropriations lapse on June 30 every year.
7. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30, 2012, as adopted, appropriated and legally amended.
8. The expenditure budget is enacted through an annual appropriations ordinance. If budget amendments exceed 1% of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. There was one budget amendment during the year that exceeded 1% of the original budget for \$300,000.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity

1) Deposits and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

The Town participates in a local government investment pool which is reported at the pool's share price as the investment pool is a 2a7-like pool.

2) Property Taxes

The tax calendars for real and personal property taxes are summarized below:

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due date	January 15 of the following year	January 15 of the following year
Lien date	February 16	February 16

The portion of the taxes receivable which is not collected within 45 days after June 30 is shown as deferred revenue. A penalty of 10% of the tax is assessed after the applicable payment date. The total amount of any taxes or levies and penalty shall bear interest at a rate of 10% per annum from the day after the due date which, for property taxes, is January sixteenth until paid.

The Town bills and collects its own property taxes.

3) Capital Assets

Capital assets, which include property, equipment, infrastructure, and intangible assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Maintenance, repairs and minor renewals are charged to operations when incurred. Expenditures/expenses which materially increase values or extend useful lives are capitalized.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

3) Capital Assets (Continued)

As allowed by GASB standards, the Town has elected not to capitalize infrastructure already in place as of June 30, 2003. Effective July 1, 2003, the Town is capitalizing all infrastructure additions that meet the aforementioned capitalization requirements.

The Town's intangible assets include software and are subject to amortization over its useful life.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Machinery and equipment	5-10 years
Infrastructure	20-40 years
Software	5 years

4) Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

5) Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

6) Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance as follows:

- *Nonspendable fund balance* – amounts that are not in spendable form or are required to be maintained intact;
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by the Town Council. To be reported as committed, amounts cannot be used for any other purpose unless the Town Council takes the action to remove or change the constraint;
- *Assigned fund balance* – amounts constrained by the Town's intent but are neither restricted or committed;
- *Unassigned fund balance* – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

In the General Fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 50% of the actual GAAP basis expenditures and other financing sources.

7) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

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

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the Virginia Security for Public Deposits Act. The Economic Development Authority had not ensured that its certificate deposit was in compliance with the aforementioned Act at June 30, 2012. Excluding the exception noted, none of the other Town's deposits are exposed to custodial credit risk.

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

The Town has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poors. The maturity of the LGIP is less than one year.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The Town does not have a formal investment policy.

Credit Risk: The Town's investments as of June 30, 2012 were rated by Standard & Poor's, and the ratings are presented below using the Standard & Poor's rating scale:

	Fair Quality Ratings		
	AAA	AAAm	Unrated
Local Government Investment Pool	\$ -	\$ 6,166,938	\$ -
Repurchase Agreements – Underlying:			
Mortgage securities	646,120	-	-
VML/VACO Pooled OPEB Trust	-	-	278,013
Total	\$ 646,120	\$ 6,166,938	\$ 278,013

Interest Rate Risk

Investment Maturities (in years)

Investment Type	Fair Value	Less Than One Year
Repurchase Agreements – Underlying:		
Mortgage securities	\$ 646,120	\$ 646,120
Total	\$ 646,120	\$ 646,120

Note 3. Receivables and Deferred Revenues

Receivables at June 30, 2012 for the Town, including the allowance for uncollectible accounts, are as follows:

	General Fund
Property taxes	\$ 290,160
Other accounts	255,705
Gross receivables	545,865
Less allowance for uncollectible accounts (property taxes)	157,067
Net receivables	\$ 388,798

The Town determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$157,067 as of June 30, 2012.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Deferred Revenues (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 130,628	\$ -
Advance collection of 2012 - 2013 taxes	-	3,395
	<hr/>	<hr/>
Total	<u>\$ 130,628</u>	<u>\$ 3,395</u>

Note 4. Due from Other Governments

Due from other governments includes the following:

	<u>Primary Government</u>
Other Local Governments:	
County of Hanover:	
Local sales and use taxes	\$ 62,867
Fines and forfeitures	7,453
	<hr/>
	70,320
Commonwealth of Virginia:	
Mobile home titling taxes	3,938
Fire programs	2,729
Communications sales and use taxes	44,170
	<hr/>
Total due from other governments	<u><u>\$ 121,157</u></u>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activities for the year ended June 30, 2012 are as follows:

	Restated Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Primary Government:				
Capital assets, not being depreciated or amortized:				
Land	\$ 2,455,375	\$ -	\$ -	\$ 2,455,375
Total capital assets, not being depreciated or amortized	<u>2,455,375</u>	<u>-</u>	<u>-</u>	<u>2,455,375</u>
Capital assets being depreciated or amortized:				
Buildings and improvements	2,408,917	-	-	2,408,917
Machinery and equipment	2,179,197	327,198	(274,933)	2,231,462
Infrastructure	16,699,837	18,950	-	16,718,787
Software	81,556	-	-	81,556
Total capital assets being depreciated or amortized	<u>21,369,507</u>	<u>346,148</u>	<u>(274,933)</u>	<u>21,440,722</u>
Less accumulated depreciation or amortization for:				
Buildings and improvements	(999,030)	(84,199)	-	(1,083,229)
Machinery and equipment	(1,788,740)	(154,552)	274,933	(1,668,359)
Infrastructure	(3,693,685)	(444,797)	-	(4,138,482)
Software	(66,776)	(3,695)	-	(70,471)
Total accumulated depreciation or amortization	<u>(6,548,231)</u>	<u>(687,243)</u>	<u>274,933</u>	<u>(6,960,541)</u>
Total capital assets being depreciated or amortized, net	<u>14,821,276</u>	<u>(341,095)</u>	<u>-</u>	<u>14,480,181</u>
Governmental activities capital assets, net	<u>\$ 17,276,651</u>	<u>\$ (341,095)</u>	<u>\$ -</u>	<u>\$ 16,935,556</u>

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 27,461
Public safety	95,162
Public works	502,844
Parks, recreation and cultural	58,007
Community development	<u>3,769</u>
Total depreciation and amortization expense – governmental activities	<u>\$ 687,243</u>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 966,998
Capital Projects Fund	966,998	-
Total	\$ 966,998	\$ 966,998

The transfer from the General Fund to the Capital Projects Fund was for a variety of capital projects to be completed by the Town.

Note 7. Long-Term Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Government Activities					
General obligation bonds	\$ 78,941	\$ -	\$ 38,983	\$ 39,958	\$ 39,958
Compensated absences payable	290,486	109,612	107,027	293,071	29,307
Governmental activities long-term liabilities	\$ 369,427	\$ 109,612	\$ 146,010	\$ 333,029	\$ 69,265

Annual requirements to amortize long-term debt, exclusive of compensated absences, are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 205,000	\$ 2,932
Less: County of Hanover's portion	(165,042)	(2,360)
Total	\$ 39,958	\$ 572

At June 30, 2012, the Town had a legal debt margin of \$74,364,285.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds

\$2,470,000 General Obligation Public Improvement and Refunding Bonds issued in 2002, due annually with interest payable semi-annually at 2.85%, through August 2012	\$ 205,000
Less: County of Hanover's portion	<u>(165,042)</u>
Total General Obligation Bonds	<u>\$ 39,958</u>

On January 11, 1995, the Town and County of Hanover, Virginia entered into an Agreement of Purchase and Sale of the Town's water and sewer system effective January 1, 1996. Under the agreement the County agreed to pay the Town all principal and interest due on outstanding amounts borrowed and expended by the Town, prior to January 11, 1995, for improvements to the system. During the fiscal year ended June 30, 2012, \$168,039 was received from the County. The amounts expected to be received for the Town's fiscal year ending June 30, 2013 for principal and interest are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 165,042	\$ 2,360

Note 8. 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 others; 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 several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has coverage with the Virginia Municipal League Insurance Program (the "Pool") for all insurable risks identified by the Town. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon retirement. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 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. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. This 5.00% member contribution has been assumed by the Town. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 14.58% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the Town's annual pension cost of \$401,497 (which includes the portion of the employee share assumed by the employer which was \$137,688) was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town

Fiscal Year Ended	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 227,075	100%	\$ -
June 30, 2011	263,644	100%	-
June 30, 2012	263,809	100%	-

1) Employer portion only

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

The fiscal year 2012 required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2010 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2010 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 79.19% funded. The actuarial accrued liability for benefits was \$11,792,507, and the actuarial value of assets was \$9,338,547, resulting in a UAAL of \$2,453,960. The covered payroll (annual payroll of active employees covered by the plan) was \$2,684,866, and ratio of the UAAL to the covered payroll was 91.40%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 10. Trust for Other Postemployment Benefits

The Town has established an irrevocable trust pursuant to Section 15.2-1544 of the *Code of Virginia*, as amended, for the purpose of accumulating and investing assets to fund Other Postemployment Benefits and to participate in the Virginia Pooled OPEB Trust Fund and has established a Local Finance Board to become a Participating Employer in the Trust Fund. The Trust Fund provides administrative, custodial and investment services to the Participating Employers in the Trust Fund. For the fiscal year ended June 30, 2012, the Town contributed \$160,069 to the Trust Fund. Administrative expenses allocated to the Trust Fund during the fiscal year ended June 30, 2012 totaled \$968. The Trust Fund issues a separate report, which can be obtained by writing to VML/VACO Finance Program, 1108 East Main Street, Richmond, Virginia, 23219.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Postemployment Benefits Other Than Pensions

A. Plan Description

Other postemployment benefits provided by the Town include a multiple employer defined benefit retiree health insurance premium plan. The Town allows retirees who are eligible to retire with a pension benefit from the System and have at least 15 years of full-time service with the Town to remain on their health insurance plan once they retire. Health benefits include medical, dental and vision coverage. Any amendments to the plan must be approved by Town Council.

B. Funding Policy

The contributions to the OPEB Trust Fund are established and may be amended by Town Council. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the annual required contribution, but does not require funding of the related liability.

For retirees who are under age 65 and have at least 25 years of full-time service, the Town pays the cost of the retiree only portion of the medical premium. For retirees who are at least age 65 and have at least 25 years of full-time service, the Town pays the Medicare premium.

For retirees who have less than 25 years of full-time service, the Town pays \$35 and an additional \$3 for each year of full-time service for life.

All retirees must pay the difference between the premium for their selected medical options and tiers and the amount paid by the Town.

C. Annual OPEB Cost and Net OPEB Obligation

In accordance with GASB Statement No. 45, an actuarial valuation was performed calculating the postemployment healthcare costs as of June 30, 2012. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at \$1,279,400 and an Annual Required Contribution (ARC) of \$131,000. The annual cost of OPEB is calculated based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The 30 year amortization period is open.

The following tables shows the components of the annual OPEB cost, the amount actually contributed for the year, and the change in the net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 131,000
Interest on net OPEB obligation (asset)	-
Actuarial adjustment	-
Annual OPEB cost	<u>131,000</u>
Contributions made	(160,069)
Net OPEB obligation (asset), beginning of year	-
Net OPEB obligation (asset), end of year	<u>\$ (29,069)</u>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Postemployment Benefits Other Than Pensions (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

Trend Information

Trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2010	\$ 196,600	25.7%	\$ 146,000
June 30, 2011	133,590	156.7%	-
June 30, 2012	131,000	122.2%	(29,069)

D. Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial date, the plan was 22.61% funded. The actuarial accrued liability for benefits was \$1,279,400, and the actuarial value of assets was \$289,300 resulting in an unfunded actuarial accrued liability of \$990,100. The covered payroll (annual payroll of active employees covered by the plan) was \$2,823,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.07%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions

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

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Postemployment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions (Continued)

The following simplifying assumptions were made:

Retirement age for active employees: Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality: Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2012 using Scale AA.

Coverage elections: The actuarial assumed that 90% of eligible retirees will elect coverage and that 30% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 30 years.

Note 12. Pending GASB Statements

At June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 61, *Financial Reporting Entity Omnibus* will result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. Statement No. 61 will be effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they drive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting on Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2011.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pending GASB Statements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

Note 13. Restatements of Net Assets and Fund Balance

The following table shows the change to beginning fund balance from the amount previously reported:

	General Fund
Fund balance, June 30, 2011, as previously reported	\$ 4,870,915
Effect of not accruing wages earned but not paid in the prior fiscal year	<u>(64,729)</u>
Fund balance, June 30, 2011, as restated	<u>\$ 4,806,186</u>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Restatements of Net Assets and Fund Balance (Continued)

The following tables show the change to beginning net assets from the amount previously reported:

	<u>Primary Government Governmental Activities</u>
Net assets, June 30, 2011, as previously reported	\$ 23,925,980
Effect of not accruing wages earned but not paid in the prior fiscal year	(64,729)
Effect of writing off accumulated depreciation in the prior year incorrectly in conjunction with the disposal of a capital asset	<u>(19,548)</u>
Net assets, June 30, 2011, as restated	<u>\$ 23,841,703</u>

	<u>Component Unit Economic Development Authority</u>
Net assets, June 30, 2011, as previously reported	\$ 120,063
Effect of not recording income earned on a certificate of deposit in the period for which the revenue was earned	<u>1,250</u>
Net assets, June 30, 2011, as restated	<u>\$ 121,313</u>

Note 14. Contingencies

Federal and State-Assisted Programs

The Town has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2009	\$ 8,786,764	\$ 9,772,407	\$ 985,643	89.91%	\$ 2,962,677	33.27%
June 30, 2010	8,997,158	10,767,021	1,769,863	83.56%	2,761,399	64.09%
June 30, 2011	9,338,547	11,792,507	2,453,960	79.19%	2,684,866	91.40%

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 1,224,200	\$ 1,224,200	0.00%	\$ 3,059,500	40.01%
July 1, 2012	289,300	1,279,400	990,100	22.61%	2,823,500	35.07%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percent Contributed
June 30, 2010	\$ 196,600	\$ 50,600	25.74%
June 30, 2011	131,000	209,390	159.84%
June 30, 2012	131,000	160,069	122.19%

SUPPLEMENTARY INFORMATION

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
Year Ended June 30, 2012**

	Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Use of money	\$ -	\$ -	\$ 2,874	\$ 2,874
Total revenues	-	-	2,874	2,874
Expenditures:				
Capital projects	-	2,929,266	524,312	(2,404,954)
Total expenditures	-	2,929,266	524,312	(2,404,954)
Revenues under expenditures	-	(2,929,266)	(521,438)	2,407,828
Other financing sources:				
Transfers in	651,998	966,998	966,998	-
Net change in fund balance	651,998	(1,962,268)	445,560	2,407,828
Fund balance, beginning	(651,998)	1,962,268	1,962,268	-
Fund balance, ending	\$ -	\$ -	\$ 2,407,828	\$ 2,407,828

SUPPLEMENTAL SCHEDULES

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 640,000	\$ 640,000	\$ 635,788	\$ (4,212)
Real and personal public service corporation property taxes	29,500	29,500	24,883	(4,617)
Personal property taxes	255,000	255,000	253,376	(1,624)
Mobile home taxes	1,500	1,500	1,675	175
Machinery and tools taxes	18,000	18,000	19,387	1,387
Penalties	14,000	14,000	19,023	5,023
Interest	10,000	10,000	8,021	(1,979)
Total general property taxes	968,000	968,000	962,153	(5,847)
Other local taxes:				
Local sales and use taxes	330,000	330,000	353,643	23,643
Consumer utility taxes	115,000	115,000	116,526	1,526
Consumption taxes	34,000	34,000	39,055	5,055
Business license taxes	410,000	410,000	434,888	24,888
Motor vehicle taxes	130,000	130,000	116,645	(13,355)
Cigarette taxes	300,000	300,000	367,417	67,417
Bank stock taxes	175,000	175,000	213,271	38,271
Meals taxes	1,800,000	1,800,000	1,824,826	24,826
Transient occupancy taxes	475,000	475,000	456,153	(18,847)
Total other local taxes	3,769,000	3,769,000	3,922,424	153,424
Permits, privilege fees and regulatory licenses:				
Permits and other licenses	30,900	30,900	58,518	27,618
Fines and forfeitures				
	140,000	140,000	144,895	4,895
Use of money and property:				
Revenue from use of money	7,000	7,000	5,338	(1,662)
Revenue from use of property	15,000	15,000	15,305	305
Total use of money and property	22,000	22,000	20,643	(1,357)
Charges for services:				
Parks and recreation	50,000	50,000	66,347	16,347
Miscellaneous				
	-	14,783	75,201	60,418
Recovered costs:				
County of Hanover	15,000	15,000	16,087	1,087
Randolph Macon College	2,000	2,000	2,109	109
Other	122,952	122,952	1,555	(121,397)
Total recovered costs	139,952	139,952	19,751	(120,201)
Total revenue from local sources	5,119,852	5,134,635	5,269,932	135,297

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	\$ 6,000	\$ 6,000	\$ 10,077	\$ 4,077
Auto rental taxes	80,000	80,000	110,947	30,947
Communication sales and use taxes	290,000	290,000	275,261	(14,739)
Personal property tax relief	111,774	111,774	111,774	-
Rolling stock taxes	10,000	10,000	9,280	(720)
Total non-categorical aid	497,774	497,774	517,339	19,565
Categorical aid:				
Litter control	3,088	3,088	2,615	(473)
DJCP law enforcement assistance	165,320	165,320	165,320	-
Fire programs	16,932	16,932	19,314	2,382
Street and highway maintenance	1,432,487	1,432,487	1,456,541	24,054
Total categorical aid	1,617,827	1,617,827	1,643,790	25,963
Total revenue from the Commonwealth	2,115,601	2,115,601	2,161,129	45,528
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	1,500	1,500	435	(1,065)
Transportation safety	20,000	20,000	23,684	3,684
Arts grant	5,000	5,000	5,000	-
SRTS grant	-	-	53,125	53,125
Justice assistance grant	4,000	4,000	5,585	1,585
Total revenue from the federal government	30,500	30,500	87,829	57,329
Total intergovernmental revenue	2,146,101	2,146,101	2,248,958	102,857
Total General Fund	\$ 7,265,953	\$ 7,280,736	\$ 7,518,890	\$ 238,154
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 2,874	\$ 2,874
Total Capital Projects Fund	\$ -	\$ -	\$ 2,874	\$ 2,874
Grand Total Revenues - Primary Government	\$ 7,265,953	\$ 7,280,736	\$ 7,521,764	\$ 241,028

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 34,071	\$ 34,071	\$ 29,520	\$ (4,551)
General and financial administration:				
Town manager	444,774	444,774	430,319	(14,455)
Tourism	127,275	127,275	120,180	(7,095)
Treasurer	251,242	251,242	248,501	(2,741)
Information technology	114,000	114,000	95,551	(18,449)
Total general and financial administration	937,291	937,291	894,551	(42,740)
Board of elections	2,500	2,500	2,382	(118)
Total general government administration	973,862	973,862	926,453	(47,409)
Public safety:				
Law enforcement and traffic control:				
Police	2,187,123	2,201,906	2,210,295	8,389
Fire and rescue services:				
Fire department	36,932	36,932	38,311	1,379
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	41,932	41,932	43,311	1,379
Total public safety	2,229,055	2,243,838	2,253,606	9,768
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/administration	569,263	569,263	563,361	(5,902)
Street maintenance	1,355,196	1,355,196	1,332,088	(23,108)
Storm drainage	20,000	20,000	11,512	(8,488)
Snow and ice removal	32,000	32,000	20,584	(11,416)
Traffic engineering	48,500	48,500	30,838	(17,662)
Streetlights	51,000	51,000	48,292	(2,708)
Total maintenance of highways, streets, bridges and sidewalks	2,075,959	2,075,959	2,006,675	(69,284)
Sanitation and waste removal:				
Refuse collection and disposal	366,500	366,500	352,813	(13,687)
Maintenance of general buildings and grounds:				
General properties	188,806	188,806	177,857	(10,949)
Vehicle maintenance	152,614	152,614	139,382	(13,232)
Total public works	2,783,879	2,783,879	2,676,727	(107,152)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Parks, recreation and cultural:				
Supervision of parks and recreation	\$ 136,680	\$ 136,680	\$ 131,565	\$ (5,115)
Community development:				
Planning and zoning	357,395	357,395	336,515	(20,880)
Economic development	117,553	117,553	110,064	(7,489)
Total community development	474,948	474,948	446,579	(28,369)
Nondepartmental:				
Contribution to fund OPEB	280,660	280,660	160,069	(120,591)
Debt service:				
Principal	38,984	38,984	38,983	(1)
Interest	1,700	1,700	1,692	(8)
Total debt service	40,684	40,684	40,675	(9)
Total General Fund	\$ 6,919,768	\$ 6,934,551	\$ 6,635,674	\$ (298,877)
Capital Projects Fund:				
Residential streets improvement program	\$ -	\$ 744,308	\$ 189,151	\$ (555,157)
Sidewalks, curb and gutter	-	334,300	-	(334,300)
Drainage improvements	-	108,757	-	(108,757)
Route 1 / Ashcake Road intersection improvements	-	24,592	-	(24,592)
Route 1 / Route 54 intersection improvements	-	450,000	-	(450,000)
Railroad crossing improvements	-	80,000	-	(80,000)
Downtown campus maintenance fund	-	50,072	23,360	(26,712)
Public works facilities	-	50,000	-	(50,000)
Railroad Avenue parking lot	-	100,000	-	(100,000)
Public works vehicle replacement fund	-	355,575	218,161	(137,414)
Downtown sidewalks	-	151,945	-	(151,945)
Downtown parking	-	20,000	-	(20,000)
Carter Park	-	25,000	-	(25,000)
Trail on N. Center Street	-	30,000	-	(30,000)
Skateboard Park	-	10,000	-	(10,000)
Pufferbelly Park maintenance	-	15,000	14,989	(11)
Gateway and wayfinding	-	157,985	225	(157,760)
Contingencies	-	126,768	378	(126,390)
Police vehicle replacement fund	-	94,964	78,048	(16,916)
Total Capital Projects Fund	\$ -	\$ 2,929,266	\$ 524,312	\$ (2,404,954)
Grand Total Expenditures - Primary Government	\$ 6,919,768	\$ 9,863,817	\$ 7,159,986	\$ (2,703,831)

STATISTICAL SECTION

TOWN OF ASHLAND, VIRGINIA

**STATISTICAL SECTION
TABLE OF CONTENTS**

The statistical section of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and financial well being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	5 - 10
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	11 - 14
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	15 - 16
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	17 - 19

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The Town implemented GASB 34 in fiscal year 2004; tables presenting government-wide information include information beginning in that year.

TOWN OF ASHLAND, VIRGINIA

Table 1

NET ASSETS BY COMPONENT

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011 (2)	2012
Governmental activities:									
Invested in capital assets, net of related debt	\$ 10,435,633	\$ 10,936,147	\$ 12,078,320	\$ 15,626,765	\$ 17,135,185	\$ 17,202,531	\$ 16,675,804	\$ 17,152,529	\$ 16,895,598
Restricted	1,614,547	1,656,212	2,318,880	2,907,777	-	-	-	-	-
Unrestricted	3,765,068	4,122,711	4,506,800	3,851,573	5,973,141	6,228,168	7,077,987	6,689,174	6,996,858
Total governmental activities net assets	\$ 15,815,248	\$ 16,715,070	\$ 18,904,000	\$ 22,386,115	\$ 23,108,326	\$ 23,430,699	\$ 23,753,791	\$ 23,841,703	\$ 23,892,456

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2004. Therefore, ten years of data is not available but will be accumulated over time.

(2) As noted in footnote 13 to the financial statements, the 2011 fund balance was restated for errors in the prior year.

TOWN OF ASHLAND, VIRGINIA

Table 2
Page 1

CHANGES IN NET ASSETS
Last Nine Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:									
Expenses:									
Governmental activities:									
General government administration	\$ 590,022	\$ 648,828	\$ 703,671	\$ 822,305	\$ 1,023,605	\$ 1,080,181	\$ 1,079,252	\$ 1,144,531	\$ 989,332
Public safety	1,691,700	1,823,269	1,854,281	2,225,167	2,262,606	2,334,043	2,315,497	2,395,351	2,413,532
Public works	1,411,090	2,386,112	2,289,263	2,703,070	3,041,304	2,925,473	2,915,958	2,876,909	3,367,934
Health and welfare	-	-	-	-	-	-	5,950	(3,089)	-
Parks, recreation and cultural	122,850	133,377	239,301	225,253	208,075	174,949	176,640	196,264	202,295
Community development	496,957	481,643	530,371	472,345	508,235	547,544	465,452	435,808	460,829
Interest	14,176	8,796	7,552	6,575	5,575	4,520	3,460	2,351	751
Total governmental activities	4,326,795	5,482,025	5,624,439	6,454,715	7,049,400	7,066,710	6,962,209	7,048,125	7,434,673
Total primary government expenses	4,326,795	5,482,025	5,624,439	6,454,715	7,049,400	7,066,710	6,962,209	7,048,125	7,434,673
Program revenues:									
Governmental activities:									
Charges for services:									
Public safety	67,690	25,747	35,321	105,552	135,783	168,106	182,895	182,576	220,380
Public works	-	23,250	10,970	-	-	-	-	-	2,152
Parks, recreation and cultural	51,267	54,101	59,464	64,878	65,355	62,179	53,789	63,284	66,347
Operating grants and contributions	1,491,777	1,638,609	2,565,640	1,431,412	1,468,155	1,599,898	1,576,377	1,628,978	580,068
Capital grants and contributions	565,035	22,798	-	2,924,497	876,165	332,763	-	-	1,152,183
Total governmental activities	2,175,769	1,764,505	2,671,395	4,526,339	2,545,458	2,162,946	1,813,061	1,874,838	2,021,130
Total primary government program revenues	2,175,769	1,764,505	2,671,395	4,526,339	2,545,458	2,162,946	1,813,061	1,874,838	2,021,130
Net (expense) revenue:									
Governmental activities	(2,151,026)	(3,717,520)	(2,953,044)	(1,928,376)	(4,503,942)	(4,903,764)	(5,149,148)	(5,173,287)	(5,413,543)
Total primary government net expense	(2,151,026)	(3,717,520)	(2,953,044)	(1,928,376)	(4,503,942)	(4,903,764)	(5,149,148)	(5,173,287)	(5,413,543)

TOWN OF ASHLAND, VIRGINIA

Table 2

CHANGES IN NET ASSETS (CONTINUED)

Page 2

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General revenues:									
Governmental activities:									
Taxes:									
General property	\$ 700,846	\$ 664,271	\$ 674,320	\$ 824,846	\$ 713,793	\$ 1,016,610	\$ 1,112,194	\$ 960,473	\$ 925,815
Local sales and use	359,046	417,411	440,046	469,870	484,839	334,098	318,926	338,717	353,643
Business license	293,386	437,781	531,374	500,578	459,209	467,741	441,166	434,134	434,888
Transient occupancy	522,563	494,132	581,342	594,716	591,906	531,333	480,558	451,943	456,153
Meals	1,205,899	1,585,208	1,740,219	1,750,879	1,884,529	1,815,232	1,764,723	1,769,105	1,824,826
Other	680,385	868,445	987,307	745,668	747,064	750,646	1,141,773	824,267	852,914
Use of money and property	60,018	93,786	217,810	282,466	224,211	85,775	32,426	27,958	23,517
Miscellaneous	116,839	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)	75,201
Intergovernmental, non-categorical aid	204,327	217,038	218,466	27,784	209,491	210,683	195,482	486,050	517,339
Loss on disposal of capital assets	-	(5,280)	-	-	(132,116)	-	-	-	-
Total governmental activities	4,143,309	4,810,889	5,382,039	5,210,491	5,226,152	5,226,137	5,472,240	5,275,276	5,464,296
Total primary government	4,143,309	4,810,889	5,382,039	5,210,491	5,226,152	5,226,137	5,472,240	5,275,276	5,464,296
Changes in net assets:									
Governmental activities	1,992,283	1,093,369	2,428,995	3,282,115	722,210	322,373	323,092	101,989	50,753
Total primary government	\$ 1,992,283	\$ 1,093,369	\$ 2,428,995	\$ 3,282,115	\$ 722,210	\$ 322,373	\$ 323,092	\$ 101,989	\$ 50,753

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2004. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parenthesis are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

TOWN OF ASHLAND, VIRGINIA

Table 3

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,				
	2003	2004	2005	2006	2007
General Fund:					
Unreserved	\$ 3,636,499	\$ 3,949,013	\$ 4,290,267	\$ 4,664,398	\$ 3,943,785
Total General Fund	\$ 3,636,499	\$ 3,949,013	\$ 4,290,267	\$ 4,664,398	\$ 3,943,785
All Other Governmental Funds:					
Reserved	\$ 2,878,084	\$ 1,614,547	\$ 1,656,212	\$ 2,318,880	\$ 2,907,777
Total all other governmental funds	\$ 2,878,084	\$ 1,614,547	\$ 1,656,212	\$ 2,318,880	\$ 2,907,777

	Fiscal Year June 30,				
	2008	2009	2010	2011 (2)	2012
General Fund:					
Unreserved	\$ 4,020,537	\$ 4,310,763	\$ 4,914,679	\$ -	\$ -
Unassigned	-	-	-	4,806,186	4,722,404
Total General Fund	\$ 4,020,537	\$ 4,310,763	\$ 4,914,679	\$ 4,806,186	\$ 4,722,404
All Other Governmental Funds:					
Reserved	\$ 2,101,370	\$ 2,127,040	\$ 2,392,999	\$ -	\$ -
Committed	-	-	-	1,962,268	2,407,828
Total all other governmental funds	\$ 2,101,370	\$ 2,127,040	\$ 2,392,999	\$ 1,962,268	\$ 2,407,828

Notes:

(1) In fiscal year 2011, the Town implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

(2) As noted in footnote 13 to the financial statements, the 2011 fund balance was restated for errors in the prior year.

TOWN OF ASHLAND, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Page 1

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General property taxes	\$ 704,484	\$ 703,906	\$ 642,808	\$ 655,553	\$ 746,254	\$ 770,247	\$ 1,037,166	\$ 979,608	\$ 974,627	\$ 962,153
Other local taxes	2,676,748	3,061,279	3,609,430	4,040,223	4,061,711	4,167,547	3,899,050	4,147,146	3,818,166	3,922,424
Permits, privilege fees and regulatory licenses	464,125	34,805	23,250	10,970	30,131	46,294	60,361	47,854	37,309	58,518
Fines and forfeitures	34,944	32,885	25,747	35,321	75,421	89,489	107,745	135,041	145,267	144,895
Use of money and property	89,344	60,018	93,785	217,810	282,466	224,211	85,775	32,426	27,958	23,517
Charges for services	50,561	51,267	54,101	59,464	64,878	65,355	62,179	53,789	63,284	66,347
Miscellaneous	486	116,839	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)	75,201
Recovered costs	1,133,053	138,164	26,106	617,957	300,485	131,893	64,733	55,946	29,543	19,751
Intergovernmental:										
Local	-	402,500	-	-	-	-	-	-	-	-
Commonwealth	3,195,159	1,498,404	1,581,375	1,578,683	1,646,159	1,669,652	1,766,533	1,724,707	2,090,328	2,161,129
Federal	10,025	360,235	297,070	1,205,423	2,937,534	884,159	376,811	47,152	24,700	87,829
Total revenues	8,358,929	6,460,302	6,391,769	8,412,559	10,158,723	8,092,073	7,474,372	7,208,661	7,193,811	7,521,764
Expenditures:										
General government administration	746,589	631,586	634,925	721,080	1,158,148	1,059,054	1,111,174	1,031,702	1,038,230	926,453
Public safety	1,578,814	1,688,311	1,793,993	1,798,840	2,238,848	2,260,400	2,222,091	2,188,271	2,184,073	2,253,606
Public works	1,474,805	1,828,199	2,109,254	2,208,547	2,447,839	2,720,737	2,486,865	2,358,561	2,365,844	2,676,727
Parks, recreation and cultural	61,691	80,134	82,707	181,026	172,933	141,123	115,135	117,621	137,974	131,565
Community development	440,402	543,920	477,828	521,458	460,483	501,435	489,879	451,049	410,881	446,579
Nondepartmental	-	-	-	-	-	-	-	-	128,400	160,069
Capital projects	1,846,011	2,380,005	721,860	1,728,983	3,771,095	2,112,901	691,337	150,646	1,361,105	524,312
Debt service:										
Principal	790,000	169,578	177,375	175,000	34,111	35,085	37,034	37,034	38,984	38,983
Interest and fiscal charges	221,553	89,592	10,910	40,827	6,982	5,993	4,961	3,902	2,815	1,692
Total expenditures	7,159,865	7,411,325	6,008,852	7,375,761	10,290,439	8,836,728	7,158,476	6,338,786	7,668,306	7,159,986
Revenues over (under) expenditures	1,199,064	(951,023)	382,917	1,036,798	(131,716)	(744,655)	315,896	869,875	(474,495)	361,778
Other financing sources (uses):										
Transfers in	935,000	482,557	415,000	755,000	1,128,293	250,000	350,000	410,000	901,167	966,998
Transfers out	(935,000)	(482,557)	(415,000)	(755,000)	(1,128,293)	(250,000)	(350,000)	(410,000)	(901,167)	(966,998)
Refunding bonds issued	2,470,000	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(2,390,000)	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	15,000	-	-	-	-
Total other financing sources, net	80,000	-	-	-	-	15,000	-	-	-	-
Net change in fund balances	\$ 1,279,064	\$ (951,023)	\$ 382,917	\$ 1,036,798	\$ (131,716)	\$ (729,655)	\$ 315,896	\$ 869,875	\$ (474,495)	\$ 361,778

TOWN OF ASHLAND, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Page 2

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 1,011,553	\$ 259,170	\$ 188,285	\$ 215,827	\$ 41,093	\$ 41,078	\$ 41,995	\$ 40,936	\$ 41,799	\$ 40,675
Total expenditures	\$ 7,159,865	\$ 7,411,325	\$ 6,008,852	\$ 7,375,761	\$ 10,290,439	\$ 8,836,728	\$ 7,158,476	\$ 6,338,786	\$ 7,668,306	\$ 7,159,986
Less: capital outlay	(1,846,011)	(121,052)	(721,860)	(1,728,983)	(3,771,095)	(2,112,901)	(691,337)	(150,646)	(1,145,407)	(346,148)
Noncapital expenditures	\$ 5,313,854	\$ 7,290,273	\$ 5,286,992	\$ 5,646,778	\$ 6,519,344	\$ 6,723,827	\$ 6,467,139	\$ 6,188,140	\$ 6,522,899	\$ 6,813,838
Debt service as a percentage of noncapital expenditures	19.04%	3.56%	3.56%	3.82%	0.63%	0.61%	0.65%	0.66%	0.64%	0.60%

TOWN OF ASHLAND, VIRGINIA

Table 5

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Local Sales and Use	Consumer Utility	Consumption	Communications (1)(2)	Franchise	Business License	Motor Vehicle	Bank Stock	Cigarette	Transient Occupancy	Meals (3)	Totals
2003	\$ 296,918	\$ 234,039	\$ -	\$ -	\$ 35,630	\$ 527,588	\$ 118,485	\$ 74,807	\$ -	\$ 300,861	\$ 1,088,420	\$ 2,676,748
2004	359,046	293,386	30,092	-	63,860	522,563	121,397	126,911	-	338,125	1,205,899	3,061,279
2005	417,411	300,585	33,358	-	70,613	437,781	123,552	146,790	-	494,132	1,585,208	3,609,430
2006	440,046	341,277	37,019	-	72,220	531,374	126,064	170,662	-	581,342	1,740,219	4,040,223
2007	469,870	232,124	37,719	134,363	40,870	500,578	152,892	147,700	-	594,716	1,750,879	4,061,711
2008	484,839	111,119	38,834	313,337	-	459,209	130,336	153,438	-	591,906	1,884,529	4,167,547
2009	334,098	118,332	37,787	284,695	(48)	467,741	134,370	175,510	-	531,333	1,815,232	3,899,050
2010	318,926	146,860	33,899	286,484	-	441,166	127,049	204,290	343,191	480,558	1,764,723	4,147,146
2011	338,717	112,095	44,451	-	-	434,134	123,063	235,104	309,554	451,943	1,769,105	3,818,166
2012	353,643	116,526	39,055	-	-	434,888	116,645	213,271	367,417	456,153	1,824,826	3,922,424
Change 2003-2012	19.10%	-50.21%			-100.00%	-17.57%	-1.55%	185.09%	100.00%	51.62%	67.66%	46.54%

Notes:

- (1) Beginning January 1, 2007, the Commonwealth of Virginia began collecting Consumer Utility and Cable Franchise taxes on behalf of the Town. This revenue is shown as Communication Sales and Use through June 30, 2010.
- (2) In fiscal year 2011, the Town implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes as described in Note 1.
- (3) Restaurant food tax revenue is the Town's most significant own-source revenue. It is impacted by the Town's close proximity to Randolph Macon College and Interstate 95 and the abundance of restaurants located in the Town to serve the community. The top ten providers of meals tax for fiscal year 2012 are in order as follows: Cracker Barrel, McDonalds (I-95), McDonalds (Route 1), Applebee's, Ponderosa, Wendy's, Hardees, Ruby Tuesday, Ironhorse Restaurant, KFC/Long John Silver's.

TOWN OF ASHLAND, VIRGINIA

Table 6

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Real Estate	Personal Property	Mobile Homes (1)	Machinery and Tools	Public Service Real Estate	Public Service Personal Property	Total Taxable Assessed Value	Percent Growth	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Combined Total Direct Tax Rate
2003	\$ 414,207,367	\$ 46,960,148	\$ -	\$ 1,867,475	\$ 37,058,405	\$ -	\$ 500,093,395	4.53%	\$ 500,093,395	100.00%	\$ 0.86
2004	444,918,100	47,652,805	-	1,865,505	38,297,873	88,276	532,822,559	6.54%	532,822,559	100.00%	0.86
2005	463,076,000	58,525,770	3,572,280	1,016,205	37,257,628	14,344	563,462,227	5.75%	563,462,227	100.00%	0.86
2006	499,097,100	51,403,965	2,960,580	1,031,000	31,115,065	32,338	585,640,048	3.94%	585,640,048	100.00%	0.86
2007	576,599,600	52,822,578	3,556,555	1,233,445	30,532,788	93,934	664,838,900	13.52%	664,838,900	100.00%	0.86
2008	628,077,300	52,599,056	2,796,945	1,597,520	33,120,340	155,892	718,347,053	8.05%	718,347,053	100.00%	0.86
2009	697,544,000	57,137,205	2,645,140	1,452,390	26,520,966	2,998,358	788,298,059	9.74%	788,298,059	100.00%	0.86
2010	716,419,003	53,651,879	2,532,915	2,502,665	29,286,101	2,426,266	806,818,829	2.35%	806,818,829	100.00%	0.86
2011	723,174,800	51,532,330	2,339,545	2,738,555	27,303,212	163,500	807,251,942	0.05%	807,251,942	100.00%	0.86
2012	712,071,800	50,773,355	2,265,115	3,044,170	29,305,939	133,790	797,594,169	-1.20%	797,594,169	100.00%	0.86

Notes:

(1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Hanover, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.

(2) Town assesses taxes at 100% of total assessed value.

(3) Reassessments effective January 1, 2006 and 2010.

TOWN OF ASHLAND, VIRGINIA

Table 7

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Tax Rates - Town				Tax Rates - County					Tax Rates - Combined				
	Real Property	Personal Property	Mobile Homes	Machinery and Tools	Real Property	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Real Property	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2003	\$ 0.09	\$ 0.77	\$ 0.09	\$ 0.77	\$ 0.82	\$ 3.64	\$ 0.82	\$ 3.64	\$ 1.90	\$ 0.91	\$ 4.41	\$ 0.91	\$ 4.41	\$ 1.90
2004	0.09	0.77	0.09	0.77	0.86	3.64	0.86	3.64	1.90	0.95	4.41	0.95	4.41	1.90
2005	0.09	0.77	0.07	0.77	0.86	3.64	0.86	3.64	1.90	0.95	4.41	0.93	4.41	1.90
2006	0.09	0.77	0.07	0.77	0.86	3.64	0.86	3.64	1.90	0.95	4.41	0.93	4.41	1.90
2007	0.09	0.77	0.07	0.77	0.81	3.57	0.81	3.57	1.90	0.90	4.34	0.88	4.34	1.90
2008	0.09	0.77	0.07	0.77	0.81	3.57	0.81	3.57	1.90	0.90	4.34	0.88	4.34	1.90
2009	0.09	0.77	0.09	0.77	0.81	3.57	0.81	3.57	1.90	0.90	4.34	0.90	4.34	1.90
2010	0.09	0.77	0.09	0.77	0.81	3.57	0.81	3.57	1.90	0.90	4.34	0.90	4.34	1.90
2011	0.09	0.77	0.07	0.77	0.81	3.57	0.81	3.57	1.90	0.90	4.34	0.88	4.34	1.90
2012	0.09	0.77	0.07	0.77	0.81	3.57	0.81	3.57	1.90	0.90	4.34	0.88	4.34	1.90

Notes:

- (1) These rates are per \$100 of assessed value.
- (2) The Commonwealth of Virginia has no limitations on local tax rates.
- (3) Real property taxes are due annually by January 15 and become delinquent thereafter.
- (4) No discounts are allowed for early payment.
- (5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real property and personal property taxes levied by the town and the county where they reside.

TOWN OF ASHLAND, VIRGINIA

Table 8

**OTHER TAX RATES
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year June 30,</u>	<u>Transient Occupancy</u>	<u>Meals</u>	<u>Cigarette (1)</u>
2003	4%	4%	\$ -
2004	4%	4%	-
2005	5%	5%	-
2006	5%	5%	-
2007	5%	5%	-
2008	5%	5%	-
2009	5%	5%	-
2010	5%	5%	0.19
2011	5%	5%	0.19
2012	5%	5%	0.19

Note:

(1) Cigarette tax was new to the Town in fiscal year 2010 - tax per pack.

TOWN OF ASHLAND, VIRGINIA

Table 9

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type Business	Fiscal year June 30, 2012			Fiscal year June 30, 2004		
		2011 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value (1)	2003 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Ashland Hanover LLC	Shopping Center	\$ 15,223,500	1	2.14%	\$ 9,541,200	2	2.11%
Dominion Virginia Power	Utility	12,410,772	2	1.74%	9,487,624	3	2.10%
Ashland Town Square, LLC	Apartments	12,270,000	3	1.72%	7,999,900	4	1.77%
Wal-mart Real Estate Bus. Trust	Shopping Center	9,710,800	4	1.36%	-		-
Sedgefield Mobile Associates, LP	Mobile Home Community	9,054,100	5	1.27%	6,769,200	6	1.50%
Verizon Virginia, Inc.	Communications / Public Service	8,011,752	6	1.13%	17,691,757	1	3.92%
Ashland Junction, LLC	Shopping Center	7,025,200	7	0.99%	7,546,600	5	1.67%
Ashland Hi, LLC	Commercial	6,948,500	8	0.98%	-		-
Concrete Pipe and Products	Commercial	6,095,800	9	0.86%	-		-
Shreeji Swami Hospitality, LLC	Hotel	5,557,000	10	0.78%	-		-
Total		\$ 92,307,424		12.97%	\$ 59,036,281		13.07%

Source: Commissioner of Revenue

Note:

(1) Total real estate assessment as noted on Table 6 is \$712,071,800.

TOWN OF ASHLAND, VIRGINIA

Table 10

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 756,148	\$ 739,987	97.86%	\$ 16,161	\$ 756,148	100.00%
2004	779,925	764,201	97.98%	4,550	768,751	98.57%
2005	751,429	715,144	95.17%	4,529	719,673	95.77%
2006	756,359	731,879	96.76%	13,434	745,313	98.54%
2007	841,484	832,168	98.89%	9,316	841,484	100.00%
2008	876,360	834,557	95.23%	6,233	840,790	95.94%
2009	1,020,768	1,010,261	98.97%	10,507	1,020,768	100.00%
2010	995,263	954,557	95.91%	23,891	978,448	98.31%
2011	1,102,965	1,068,780	96.90%	66	1,068,846	96.91%
2012	1,083,742	1,046,884	96.60%	-	1,046,884	96.60%

Source: Commissioner of Revenue

TOWN OF ASHLAND, VIRGINIA

Table 11

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Governmental Activities		Total Primary Government	Percentage of Per Capita Personal Income	Net Debt Per Capita
	General Obligation Bonds				
2003	\$ 642,253		\$ 642,253	0.57%	\$ 97
2004	472,675		472,675	0.42%	71
2005	295,300		295,300	0.26%	45
2006	261,189		261,189	0.23%	39
2007	227,078		227,078	0.20%	34
2008	191,993		191,993	0.17%	29
2009	154,959		154,959	0.14%	23
2010	117,925		117,925	0.11%	18
2011	78,941		78,941	0.05%	11
2012	39,958		39,958	0.03%	6

Notes:

- (1) Details regarding the Town's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in Table 16.

TOWN OF ASHLAND, VIRGINIA

Table 12

**RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

**Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Gross Bonded Debt	Less: Debt Payable by County of Hanover	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Gross Debt Per Capita
2003	\$ 3,295,000	\$ 2,652,747	\$ 642,253	0.13%	\$ 401
2004	2,425,000	1,952,325	472,675	0.09%	295
2005	1,515,000	1,219,700	295,300	0.05%	184
2006	1,340,000	1,078,811	261,189	0.04%	163
2007	1,165,000	937,922	227,078	0.03%	142
2008	985,000	793,007	191,993	0.03%	120
2009	795,000	640,041	154,959	0.02%	97
2010	605,000	487,075	117,925	0.01%	74
2011	405,000	326,059	78,941	0.01%	45
2012	205,000	165,042	39,958	0.01%	23

Notes:

- (1) Details regarding the Town's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in Table 16.
- (3) See Table 6 for property value data.

TOWN OF ASHLAND, VIRGINIA

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2012
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Hanover, Virginia	\$ 151,508,285	6.82%	\$ 10,332,865
Town Direct Debt			<u>39,958</u>
Total direct and overlapping debt			<u><u>\$ 10,372,823</u></u>

Note:

(1) Overlapping debt is not bonded debt of the Town on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the Town are obligated to pay through direct tax levies and charges for services of these respective governmental entities. The debt of County of Hanover, Virginia is a direct general obligation debt of the County which provides facilities that benefit all County residents including those of incorporated towns. The Town's portion of overlapping debt from the County is prorated based on the Town's relative share of assessed property values.

TOWN OF ASHLAND, VIRGINIA

Table 14

**LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legal debt margin	\$ 45,126,577	\$ 48,321,597	\$ 50,033,363	\$ 53,021,217	\$ 60,713,239	\$ 66,119,764	\$ 72,406,497	\$ 74,570,480	\$ 80,725,194	\$ 74,364,285
Total net debt applicable to limit	642,253	472,675	295,300	261,189	227,078	191,993	154,959	117,925	78,941	39,958
Available legal debt margin	\$ 44,484,324	\$ 47,848,922	\$ 49,738,063	\$ 52,760,028	\$ 60,486,161	\$ 65,927,771	\$ 72,251,538	\$ 74,452,555	\$ 80,646,253	\$ 74,324,327
Total net debt applicable to the limit as a percentage of debt limit	1.42%	0.98%	0.59%	0.49%	0.37%	0.29%	0.21%	0.16%	0.10%	0.05%

Legal debt margin calculation for fiscal year 2011:

Assessed value of real estate	<u>\$ 743,642,854</u>
Debt limit (10% of assessed value)	\$ 74,364,285
Debt applicable to limit:	
Net direct debt outstanding	<u>39,958</u>
Available legal debt margin	<u>\$ 74,324,327</u>

Note:

(1) Section 15.1-176 of 1950 *Code of Virginia*, as amended, limits to 10% the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the Town. Debt includes any bonds or other interest bearing obligations including existing indebtedness.

TOWN OF ASHLAND, VIRGINIA

Table 15

**PRINCIPAL EMPLOYERS (1)
Current Year and Nine Years Ago
(Unaudited)**

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	2,544	1	4.8%	2,102	1	4.6%
Bon Secours Memorial Regional Medical	1,000 and over	2	3.8%	1,000 and over	2	4.1%
County of Hanover	1,083	3	2.1%	893	4	1.8%
New Caps LLC	500-999	4	1.4%	n/a	n/a	1.5%
Randolph-Macon College	500-999	5	1.4%	500-999	6	1.5%
Tyson Foods	500-999	6	1.4%	1,000 and over	3	4.1%
Supervalu Eastern Region	500-999	7	1.4%	500-999	5	1.5%
Paramount Kings Dominion	500-999	8	1.4%	500-999	7	1.5%
Wal-Mart Stores	250-499	9	0.7%	500-999	8	0.8%
Sales Mark	250-499	10	0.7%	n/a	n/a	
			<u>19.1%</u>			<u>21.4%</u>
Total County Employment (3)	<u>52,612</u>			<u>48,700</u>		

Notes:

- (1) Sources: County and Schools employment levels provided by the Hanover County Department of Finance and Management Services, Budget Division. Other data provided by the Virginia Employment Commission (VEC). Data unique to the Town is not available and as noted above, has been provided by the County of Hanover.
- (2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.
- (3) VEC Annual not Seasonally Adjusted Labor Force.

TOWN OF ASHLAND, VIRGINIA

Table 16

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)**

Year	(1) Population	(1) Per Capita Personal Income		(2) Personal Income	Median Age (3)	County of Hanover		
						School Enrollment (4)	Unemployment Rate (5)	
2003	6,619	\$	16,932	\$	112,072,908	34.5	17,541	2.7%
2004	6,619		16,932		112,072,908	37.4	18,040	2.6%
2005	6,619		16,932		112,072,908	37.4	18,262	2.7%
2006	6,619		16,932		112,072,908	37.4	18,518	2.5%
2007	6,619		16,932		112,072,908	37.4	19,768	2.4%
2008	6,619		16,932		112,072,908	37.4	19,670	2.9%
2009	6,619		16,932		112,072,908	37.4	19,584	7.2%
2010	6,619		16,932		112,072,908	37.4	19,465	6.7%
2011	7,225		21,329		154,102,025	33.5	19,277	5.7%
2012	7,225		21,329		154,102,025	33.5	19,170	5.6%

Notes:

(1) United States Bureau of the Census.

(2) Computation of per capita personal income multiplied by population.

(3) County of Hanover's planning department.

(4) Hanover County School Board.

(5) U.S. Bureau of Labor Statistics for 2012, Virginia Employment Commission for 2003 through 2010.

TOWN OF ASHLAND, VIRGINIA

Table 17

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAMS
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government administration	11	13	8	8	8	8	9	9	6	6
Public safety:										
Police department	24	26	27	28	25	28	28	24	27	27
Public works:										
Maintenance	18	24	24	24	25	24	23	22	22	22
Community development:										
Planning	4	6	6	6	6	5	5	3	5	5
Total	57	69	65	66	64	65	65	58	60	60

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 18

OPERATING INDICATORS BY FUNCTION/PROGRAMS

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Building inspections:										
Total building permits	101	81	109	97	87	113	131	126	101	127

Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 19

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Vehicles	5	6	6	6	8	8	8	9	2	4
Public safety:										
Police department:										
Patrol units	21	21	21	21	22	26	28	27	33	25
Other vehicles	2	2	2	2	2	1	1	2	2	4
Public works:										
General maintenance:										
Trucks/vehicles	22	21	21	20	21	19	19	19	20	19
Equipment	71	82	90	98	78	87	86	87	28	21
Parks and recreation:										
Parks acreage	21.92	23.00	23.22	23.22	23.22	23.22	23.60	23.60	23.60	23.60
Swimming pools	1	1	1	1	1	1	1	1	1	1

(1) Source: Individual Town departments.

COMPLIANCE SECTION



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

To the Honorable Members of the Town Council
Town of Ashland, Virginia
Ashland, Virginia

We have audited the financial statements of the Town of Ashland, Virginia (Town) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as 2012-01 and 2012-02, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Responses as 2012-03, 2012-04 and 2012-05.

We noted certain matters that we reported to management in a separate letter dated October 5, 2012.

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town Council, management, the Auditor of Public Accounts and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
October 5, 2012

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

II. FINANCIAL STATEMENT FINDINGS

A. Significant Deficiencies in Internal Control

2012-01: Significant Deficiency in Internal Control over Journal Entries

Requirement: Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, specifically identifies situations which may be deemed to be deficiencies, significant deficiencies, or material weaknesses in internal controls. Among these is the “failure in the operation of effectively designed controls over a significant account or process; for example, the failure of a control such as approval and review of the journal entry process.”

Condition: During our audit of the Town, we selected journal entries posted during fiscal year 2012, and tested for proper initiation and approval, as well as for reasonableness. In doing so, there were instances in which the individual initiating the entry was also the individual that posted the entry, with no secondary approval being noted.

Effect: The potential effect of not requiring secondary approval of journal entries may subject the Town to risk of fraud or error. These instances of fraud or error could ultimately lead to the financial statements being materially misstated.

Recommendation: We recommend that in all instances in which manual journal entries are required, that the initiator of the entry be independent of the approver, and accordingly, each individual should sign off indicating acceptance. We believe that this will serve to strengthen controls and provide a greater level of control over errors and fraud in posting transactions to the general ledger.

2012-02: Significant Deficiency in Internal Control Over Year End Reporting

Requirement: The year end financial statements presented by the Town to be audited should be final and free of misstatements.

Condition: Upon auditing the Town’s year end balances, there were instances of adjustments identified, including entries to restate prior periods for unaccrued payroll and an error in recording disposal of a capital asset.

Effect: As noted above, the effect of these transactions was to misstate prior year fund balance and net assets of the Town. The necessary entries and restatements above were not material to the financial statements, however, they are integral adjustments in order to more accurately represent the Town’s financial position. Failure to record the items noted above is a departure from GAAP.

Recommendation: We recommend the Town develop a system of policies and procedures to ensure that instances in which staff members are unsure of proper accounting treatment, options are available for research and counsel, to ensure proper treatment and recording.

TOWN OF ASHLAND, VIRGINIA

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**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012**

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. Compliance Findings

2012-03: Lack of Documented Approval of Exonerated Property Taxes

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia* require exoneration forms for property taxes be properly approved. During the audit for fiscal year 2012, we noted that no documentation of approval was maintained for the sample of exonerations tested. We also observed that outside of the individual processing the exoneration, there is no secondary approval.

We recommend that the Town implement a policy with procedures to be in compliance with the Specifications of the Auditor of Public Accounts and the *Code of Virginia*, in an effort to prevent possible errors or fraud related to the exoneration of property taxes.

2012-04: Unclaimed Property Submission

The *Specifications for Audits of Counties, Cities and Towns* and the *Code of Virginia*, section entitled *Unclaimed Property*, states that “The Act requires local governments to file an annual report with the State Treasurer listing all unclaimed property. The local government must then remit the property to the State Treasurer for final disposition.” During the audit for fiscal year 2012, we noted that the unclaimed property report was not filed with the State nor were the unclaimed properties remitted.

We recommend that the Town implement procedures to be in compliance with the Specifications of the Auditor of Public Accounts.

2012-05: Virginia Security for Public Deposits Act

The Virginia Security for Public Deposits Act, section 2.2-400 et., seq. of the *Code of Virginia* requires public deposits be made into a qualified public depository. The Town must ensure the qualified depository identifies the account as public deposits. In performing the audit for fiscal year 2012, we confirmed that accounts held by Bank of America for the Town and First Capital Bank for the Economic Development Authority were not identified as public deposits, nor were they reported to the Department of the Treasury as public deposits.

We recommend that the Town and Economic Development Authority implement procedures to identify and confirm that all deposits held at financial institutions be properly identified and reported as required by the *Code of Virginia*.

TOWN OF ASHLAND, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

Identifying Number: 2012-01

Finding:

Journal entries were selected for testing, in which certain selections lacked segregation between the initiator and the individual posting the adjustment.

Corrective Action Taken or Planned:

The auditors identified this deficiency during the preliminary audit process in May and all journal entries since that time, whether initiated by the Finance Director or Town's consultant, have been and will continue to be reviewed and signed by the Town Manager.

Identifying Number: 2012-02

Finding:

Year end financial statement balances from the prior year's audit were not accurately presented.

Corrective Action Taken or Planned:

The Town relied on its auditing firm to provide accounting and year-end reporting advice. Based on experiences with the previous auditors, the Town determined it necessary to hire a new firm which would take a more detailed and thorough look at the Town's finances and financial systems. The Town's new auditors identified this deficiency and the fiscal year 2011 balances are being restated. In addition, the Town has continued to contract with VML/Vaco Finance to augment the accounting function of the Finance office.

Identifying Number: 2012-03

Finding:

The *Code of Virginia* requires that exoneration forms for property taxes be approved. During the audit for fiscal year 2012, we noted that no documentation of approval was maintained for the sample of exoneration forms tested. It was also noted during our testing that, outside of the individual performing the exoneration, there is no secondary approval.

Corrective Action Taken or Planned:

The auditors identified this deficiency during the preliminary audit process in May and all tax exoneration forms completed since that time have been initiated by the Account Clerk and reviewed and signed off on by the Finance Director.

TOWN OF ASHLAND, VIRGINIA

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**CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

Identifying Number: 2012-04

Finding:

The *Code of Virginia* requires local governments to file an annual report with the State Treasurer listing all unclaimed property. The local government must then remit the property to the State Treasurer for final disposition.” During the audit for fiscal year 2012, we noted that the unclaimed property report was not filed with the State nor were the unclaimed properties remitted.

Corrective Action Taken or Planned:

The auditors identified this deficiency during the preliminary audit process in May. Since that time due diligence letters have been sent for all unclaimed property (accounts payable checks) in accordance with State requirements. Upon the expiration of the time given to respond, unclaimed property will be sent to the State for processing. This process will continue in future years.

Identifying Number: 2012-05

Finding:

The Virginia Security for Public Deposits Act, section 2.2-400 et., seq. of the *Code of Virginia* requires public deposits be made into a qualified public depository. The Town must ensure the qualified depository identifies the account as public deposits. In performing the audit for fiscal year 2012, we confirmed that accounts held by Bank of America for the Town and First Capital Bank for the Economic Development Authority were not identified as public deposits, nor were they reported to the Department of the Treasury as public deposits.

Corrective Action Taken or Planned:

As of Tuesday, September 25, 2012, the Town’s Bank of America checking accounts have been changed to “Public Funds” and will be collateralized and reported according to the State guidelines for Public Deposits. The Treasurer of the Economic Development Authority has been made aware of this deficiency and has assured staff she will identify the account as public deposits and report them to the Department of Treasury as public deposits.