TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

Prepared by:

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TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013

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INTRODUCTORY SECTION

Town of Ashland
Center of the Universe

101 THOMPSON STREET
P.O. BOX 1600
ASHLAND, VIRGINIA 23005-4600

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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

November 3, 2013

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 for the fiscal year ended June 30, 2013, 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 are 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.

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 increased slightly during the 2012-13 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 distribution and logistics hubs. This particular business park will be developed as a major distribution site for a second national retailer in fiscal year 2014.

As mentioned previously, commercial building activity has been slow during fiscal year 2013 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, which is one more than approved in fiscal year 2012. CO's are only necessary when a change of use in an existing buildings occurs or for new construction. 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. Vacancy rates in the downtown have held steady with a minimum amount of space available for lease or purchase. Office space vacancy rates remain higher than retail, particularly in the Hill Carter Parkway area.

While slow, the commercial building activity that has occurred is very beneficial to the community. Construction was completed on a new Chick-Fil-A on Route 54 which should be one of the higher producing meals tax businesses in Town in fiscal year 2014. The Vitamin Shoppe, a national retailer of vitamins and supplements, completed construction of a distribution hub for the east coast, and after nearly a decade of looking for the perfect location, Tractor Supply started construction of a new retail establishment just off Junction Drive. Finally, Randolph-Macon College made substantial investments in improving their campus. They completed construction of a new modern dormitory, a new state of the art student center, an addition to their library, and a new football field. They also made improvements to the interiors of other existing structures on campus. These improvements will contribute to the attractiveness of the college and allow it to thrive into the future.

Residential construction has continued through both an infill process of construction of a small number of houses on previously subdivided lots. Seventeen certificates of occupancy were issued for residential units in Ashland during the year, representing a seventeen percent 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 year 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 fiscal year 2005 to 5%. In fiscal year 2010, the Town Council instituted a cigarette tax of $.19/pack. For fiscal year 2014 the Town Council raised the cigarette tax to $.22/pack and the Transient Occupancy tax rate from 5% to 7%. 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 sidewalk, street, and curb/gutter improvements are featured in the fiscal year 2014 budget. In addition to these infrastructure improvements, the Town paid 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 seven and one-half percent 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, 2012. 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-six consecutive years (fiscal years ended 1987 - 2012). 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	Vice-Mayor

MEMBERS OF COUNCIL

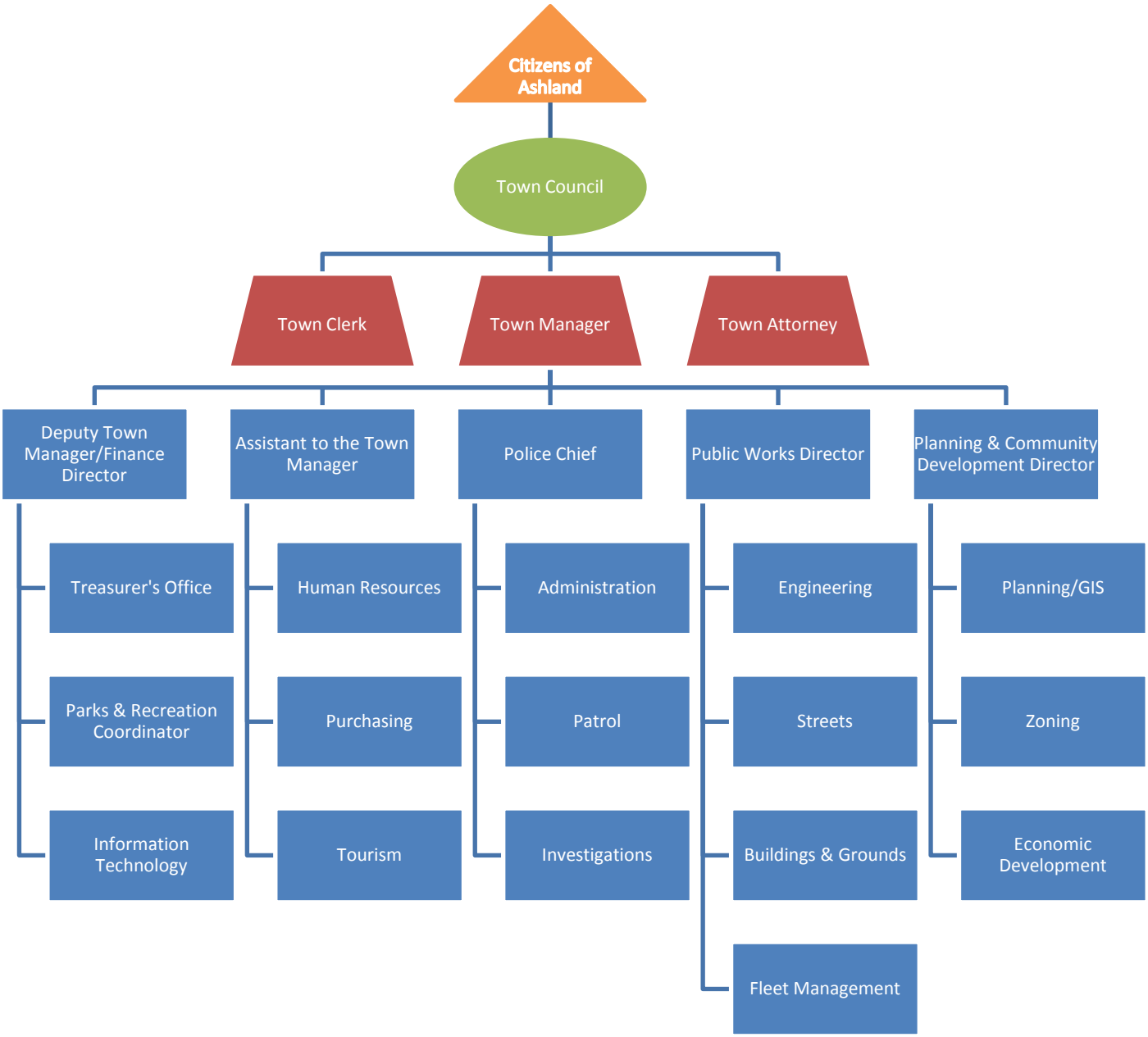
James R. Foley	Edward L. "Ned" Henson, III	Steven P. Trivett

OTHER OFFICIALS

Charles W. Hartgrove	Town Manager
Joshua Farrar	Deputy Town Manager/Finance Director
Lois A. Smith	Clerk of the Council
Andrea G. Erard	Town Attorney

TOWN OF ASHLAND, VIRGINIA

ORGANIZATIONAL CHART



Government Finance Officers Association

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, 2012

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and 40, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information, supplemental schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 3, 2013

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, 2013. 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 $24,212,306 (net position).

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 $353,409.

- As of the close of the current fiscal year, the Town's funds reported ending fund balances of $7,483,641, an increase of $353,409 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,857,433, or 66.1% of total General Fund expenditures and other uses.
- Combined long-term obligations of the Town decreased by $43,200 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 and supplemental information in addition to the basic financial statements themselves.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 itself (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.

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 at the succeeding page of 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.

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 supplementary information for budgetary comparison schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by $24,212,306 at the close of the most recent fiscal year. The following table summarizes the Town's Statements of Net Position:

Summary Statements of Net Position
June 30, 2013 and 2012

	Governmental Activities		Increase	%
	2013	2012	(Decrease)	Change
Current and other assets	$ 8,578,920	$ 7,696,737	$ 882,183	11.5%
Capital assets, net	16,744,175	16,935,556	(191,381)	(1.1%)
Total assets	25,323,095	24,632,293	690,802	2.8%
Current liabilities	820,960	406,808	414,152	101.8%
Noncurrent liabilities	289,829	333,029	(43,200)	(13.0%)
Total liabilities	1,110,789	739,837	370,952	50.1%
Net position:				
Net investment in capital assets	16,744,175	16,895,598	(151,423)	(0.9%)
Unrestricted	7,468,131	6,996,858	471,273	6.7%
Total net position	$ 24,212,306	$ 23,892,456	$ 319,850	1.3%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's Net Position increased by $319,850 during the current fiscal year. The following table summarizes the Town's Statements of Changes in Net Position:

Summary Statements of Changes in Net Position
Years Ended June 30, 2013 and 2012

	Governmental Activities		Increase	%
	2013	2012	(Decrease)	Change
Revenues:				
Program revenues:				
Charges for services	$ 230,967	$ 288,879	$ (57,912)	(20.05%)
Operating grants and contributions	657,038	580,068	76,970	13.27%
Capital grants and contributions	1,118,665	1,152,183	(33,518)	(2.91%)
General revenues:				
General property taxes	1,056,984	925,815	131,169	14.17%
Other local taxes	4,005,157	3,922,424	82,733	2.11%
Grants and contributions not restricted	521,302	517,339	3,963	0.77%
Other	590,763	98,718	492,045	498.43%
Total revenues	8,180,876	7,485,426	695,450	9.29%
Expenses:				
General government administration	967,749	989,332	(21,583)	(2.18%)
Public safety	2,410,269	2,413,532	(3,263)	(0.14%)
Public works	3,777,614	3,367,934	409,680	12.16%
Parks, recreation and cultural	196,080	202,295	(6,215)	(3.07%)
Community development	508,743	460,829	47,914	10.40%
Interest and fiscal charges	571	751	(180)	(23.97%)
Total expenses	7,861,026	7,434,673	426,353	5.73%
Change in net position	319,850	50,753	269,097	530.21%
Net Position, beginning of year	23,892,456	23,841,703	50,753	0.21%
Net Position, end of year	$ 24,212,306	$ 23,892,456	$ 319,850	1.34%

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds- The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of 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 $7,483,641, an increase of $353,409 in comparison with the prior year. Increases in local tax revenue collections contributed substantially to this addition to fund balance along with lower than anticipated expenditures for public works, parks & recreation and community development activities. Approximately 65% of the total fund balance constitutes unassigned General Fund balance, which is available for spending at the Town's discretion.

The Town's Capital Projects Fund accounts for all major general public improvements. At the end of the current fiscal year, the fund balance was $2,626,208, 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 an additional $25,000 in new transfers to the Capital Projects Fund.

During the year, revenues exceeded budgetary estimates by $386,206. Expenditures were less than budgetary estimates by $364,670, resulting in a positive variance of $750,876 in the net change in fund balance.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital assets- The Town's investment in capital assets for its governmental operations as of June 30, 2013 amounted to $16,744,175 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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 $289,829. The Town made its final bond debt payment on August 1, 2012.

The Town's long-term obligations decreased by $43,200 during the current fiscal year. The decrease was the result of a decrease in bonded debt outstanding of $39,958 and a decrease in the liability for compensated absences of $3,242.

Additional information on the Town's long-term obligations 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 5.4% at June 30, 2013. The Commonwealth of Virginia's unemployment rate was 5.5% 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 2014 fiscal year.

The fiscal year 2014 budget increased by approximately 2.8% compared to the Town’s amended budget for fiscal year 2013. The Town raised the Cigarette tax rate from $0.19/pack to $0.22/pack, and the Transient Occupancy tax rate from 5% to 7%.

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 POSITION
June 30, 2013

	Primary Government	Component Unit
	Governmental Activities	Economic Development Authority
ASSETS		
Cash and cash equivalents	$ 7,899,113	$ 145,511
Receivables, net:		
Property taxes	222,643	-
Other accounts	241,978	-
Due from other governments	156,636	-
Prepaid:		
Other postemployment benefits	58,550	-
Taxes	-	391
Capital assets:		
Land	2,455,375	-
Buildings and improvements	2,408,917	-
Machinery and equipment	2,385,189	-
Infrastructure	16,925,847	-
Software	81,556	-
Construction in progress	35,325	-
Less: accumulated depreciation and amortization	(7,548,034)	-
Total assets	25,323,095	145,902
LIABILITIES		
Accounts payable	471,344	-
Accrued payroll and benefits	248,415	-
Unearned revenue	12,427	-
Performance bond payable	88,774	-
Noncurrent liabilities:		
Due within one year:		
Compensated absences	28,983	-
Due in more than one year:		
Compensated absences	260,846	-
Total liabilities	1,110,789	-
NET POSITION		
Net investment in capital assets	16,744,175	-
Unrestricted	7,468,131	145,902
Total net position	$ 24,212,306	$ 145,902

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	Component Unit
Entity/Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Economic Development Authority
Primary Government:						
Governmental activities:						
General government administration	$ 967,749	$ -	$ -	$ -	$ (967,749)	$ -
Public safety	2,410,269	178,349	200,044	5,444	(2,026,432)	-
Public works	3,777,614	2,041	451,994	1,113,221	(2,210,358)	-
Parks, recreation and cultural	196,080	50,577	-	-	(145,503)	-
Community development	508,743	-	5,000	-	(503,743)	-
Interest	571	-	-	-	(571)	-
Total governmental activities	7,861,026	230,967	657,038	1,118,665	(5,854,356)	-
Total primary government	$ 7,861,026	$ 230,967	$ 657,038	$ 1,118,665	(5,854,356)	-
Component Unit:						
Economic Development Authority	$ 48,974	$ 59,894	$ -	$ -	-	10,920
Total component unit	$ 48,974	$ 59,894	$ -	$ -	-	10,920
General Revenues:						
Taxes:						
General property taxes					1,056,984	-
Other local taxes:						
Meals					1,814,498	-
Transient occupancy					446,241	-
Business license					500,256	-
Local sales and use					438,114	-
Other					806,048	-
Intergovernmental, non-categorical aid					521,302	-
Use of money and property					27,630	1,136
Miscellaneous					563,133	-
Total general revenues					6,174,206	1,136
Change in net position					319,850	12,056
Net position, beginning					23,892,456	133,846
Net position, ending					$ 24,212,306	$ 145,902

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	$ 5,155,278	$ 2,743,835	$ 7,899,113
Receivables, net:			
Property taxes	222,643	-	222,643
Other accounts	241,978	-	241,978
Due from other governments	150,639	5,997	156,636
Total assets	$ 5,770,538	$ 2,749,832	$ 8,520,370
LIABILITIES			
Accounts payable	$ 347,720	$ 123,624	$ 471,344
Accrued payroll and benefits	248,415	-	248,415
Performance bond payable	88,774	-	88,774
Deferred revenue	228,196	-	228,196
Total liabilities	913,105	123,624	1,036,729
FUND BALANCES			
Committed:			
Capital projects	-	2,626,208	2,626,208
Unassigned	4,857,433	-	4,857,433
Total fund balances	4,857,433	2,626,208	7,483,641
Total liabilities and fund balances	$ 5,770,538	$ 2,749,832	$ 8,520,370

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

		Governmental Funds
Total fund balances - governmental funds		$ 7,483,641
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 24,292,209	
Less: accumulated depreciation and amortization	(7,548,034)	
Net capital assets		16,744,175
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		215,769
Other postemployment benefits (OPEB) assets (obligations) are are not current financial resources and, therefore, are not reported in the governmental funds.		58,550
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Compensated absences	(289,829)	
		(289,829)
Net position of governmental activities		$ 24,212,306

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	$ 971,843	$ -	$ 971,843
Other local taxes	4,005,157	-	4,005,157
Permits, privilege fees and regulatory licenses	46,392	-	46,392
Fines and forfeitures	113,461	-	113,461
Use of money and property	23,236	4,394	27,630
Charges for services	50,577	-	50,577
Miscellaneous	26,316	536,817	563,133
Recovered costs	20,537	-	20,537
Intergovernmental	2,224,564	72,441	2,297,005
Total revenues	7,482,083	613,652	8,095,735
Expenditures:			
Current:			
General government administration	944,518	-	944,518
Public safety	2,318,596	-	2,318,596
Public works	2,688,144	-	2,688,144
Parks, recreation and cultural	142,935	-	142,935
Community development	507,332	-	507,332
Capital projects	-	1,100,272	1,100,272
Debt service:			
Principal	39,958	-	39,958
Interest	571	-	571
Total expenditures	6,642,054	1,100,272	7,742,326
Revenues over (under) expenditures	840,029	(486,620)	353,409
Other financing sources (uses):			
Transfers in (out)	(705,000)	705,000	-
Total other financing sources (uses)	(705,000)	705,000	-
Net change in fund balances	135,029	218,380	353,409
Fund balances, beginning	4,722,404	2,407,828	7,130,232
Fund balances, ending	$ 4,857,433	$ 2,626,208	$ 7,483,641

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, 2013

		Governmental Funds
Net change in fund balance - total governmental funds		$ 353,409
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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.		
Expenditures for capital assets	$ 505,190	
Less: depreciation and amortization expense	(687,559)	
Excess of depreciation and amortization over capital outlays		(182,369)
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to decrease net position		(9,012)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		
Change in deferred revenue		85,141
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayments:		
General obligation bonds		39,958
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.		
Change in:		
Compensated absences	3,242	
Other postemployment benefits	29,481	
		32,723
Change in net position of governmental activities		$ 319,850

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, 2013

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
General property taxes	$ 940,400	$ 940,400	$ 971,843	$ 31,443
Other local taxes	3,722,000	3,722,000	4,005,157	283,157
Permits, privilege fees and regulatory licenses	35,100	35,100	46,392	11,292
Fines and forfeitures	140,000	140,000	113,461	(26,539)
Use of money and property	22,500	22,500	23,236	736
Charges for services	59,000	59,000	50,577	(8,423)
Miscellaneous	-	-	26,316	26,316
Recovered costs	17,700	17,700	20,537	2,837
Intergovernmental	2,159,177	2,159,177	2,224,564	65,387
Total revenues	7,095,877	7,095,877	7,482,083	386,206
Expenditures:				
Current:				
General government administration	939,182	939,182	944,518	5,336
Public safety	2,312,712	2,312,712	2,318,596	5,884
Public works	2,861,526	2,861,526	2,688,144	(173,382)
Parks, recreation and cultural	154,317	154,317	142,935	(11,382)
Community development	526,157	526,157	507,332	(18,825)
Nondepartmental	171,728	171,728	-	(171,728)
Debt service:				
Principal	40,530	40,530	39,958	(572)
Interest	572	572	571	(1)
Total expenditures	7,006,724	7,006,724	6,642,054	(364,670)
Revenues over expenditures	89,153	89,153	840,029	750,876
Other financing uses:				
Transfers out	(680,000)	(705,000)	(705,000)	-
Total other financing uses	(680,000)	(705,000)	(705,000)	-
Net change in fund balance	$ (590,847)	$ (615,847)	135,029	$ 750,876
Fund balance, beginning			4,722,404	
Fund balance, ending			$ 4,857,433	

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2013

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	$ 419,953
Total assets	419,953
NET POSITION	
Held in trust for other postemployment benefits (OPEB)	$ 419,953

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2013

	OPEB Trust Fund
Additions:	
Contributions:	
Employer	$ 112,800
Plan members	28,692
Total contributions	141,492
Investment Income:	
From investment activities:	
Interest and dividends earned on investments	157
Net increase in fair value of investments	30,093
Total income from investment activities	30,250
Total additions	171,742
Deductions:	
Administrative fees	1,110
Benefits paid	28,692
Total deductions	29,802
Change in net position	141,940
Net Position, beginning	278,013
Net Position, ending	$ 419,953

See 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. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34.* Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where there is 1) fiscal dependence and a financial benefit or burden relationship, 2) a voting majority of the organization's governing body appointed by the Town Council and a financial benefit or burden relationship, or 3) a voting majority of the organization's governing body appointed by Town Council and the Town Council has the ability to impose its will on the organization.

Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

Blended component units, although legally separate entities, are, in substance, part of the Town's operations and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2013. 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, the Town Manager serves as the Secretary of the Authority, and the Town has the ability to impose its will on 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, 2013 as a discretely presented component unit.

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 2013. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

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 Position 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.

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.

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.

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, 2013, 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 were no budget amendments in the General Fund during the year that exceeded 1% of the original budget.

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:

	Real Property	Personal Property
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.

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 Position. 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.

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, the highest level of authority in the Town. To be reported as committed, amounts cannot be used for any other purpose unless the Town Council takes the action by majority vote 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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its 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.

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. At year-end, none of the other Town's deposits were 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.

Investment Policy: The goal of the Town is to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations, and laws of the Commonwealth that restrict placement of certain public funds.

Note 2. Deposits and Investments (Continued)

Credit Risk: The Town's investments as of June 30, 2013 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	$ -	$ 7,077,431	$ -
Repurchase Agreements – Underlying:			
Mortgage securities	582,868	-	-
VML/VACO Pooled OPEB Trust	-	-	419,953
Total	$ 582,868	$ 7,077,431	$ 419,953

The Town does not have a formal policy related to credit risk.

Interest Rate Risk: Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy related to interest rate risk.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than One Year
Repurchase Agreements – Underlying:		
Mortgage securities	$ 582,868	$ 582,868
Total	$ 582,868	$ 582,868

Interest rate risk does not apply to local government investment pool since it is a 2a-7 like pool.

Note 3. Receivables and Deferred Revenues

Receivables at June 30, 2013 for the Town, including the allowance for uncollectible accounts, are as follows:

	General Fund
Property taxes	$ 302,143
Other accounts	241,978
Gross receivables	544,121
Less allowance for uncollectable accounts (property taxes)	(79,500)
Net receivables	$ 464,621

The Town determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to $79,500 as of June 30, 2013.

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:

	Unavailable	Unearned
Delinquent property taxes receivable	$ 215,769	$ -
Advance collection of 2013 - 2014 taxes	-	6,998
Personal Property Tax Relief Act – state reimbursement	-	5,429
Total	$ 215,769	$ 12,427

Note 4. Due from Other Governments

Due from other governments includes the following:

	Primary Government
General Fund:	
Other local governments:	
County of Hanover:	
Local sales and use taxes	$ 78,925
Fines and forfeitures	21,397
	100,322
Commonwealth of Virginia:	
Mobile home titling taxes	2,915
Fire programs	3,224
Communications sales and use taxes	44,178
	50,317
Total General Fund	150,639
Capital Projects Fund:	
Federal government:	
Safe routes to school	5,997
Total Capital Projects Fund	5,997
Total due from other governments	$ 156,636

Note 5. Capital Assets

Capital asset activities for the year ended June 30, 2013 are as follows:

	Beginning Balance July 1, 2012	Additions	Deletions	Ending Balance June 30, 2013
Primary Government:				
Capital assets, not being depreciated or amortized:				
Land	$ 2,455,375	$ -	$ -	$ 2,455,375
Construction in progress	-	35,325	-	35,325
Total capital assets, not being depreciated or amortized	2,455,375	35,325	-	2,490,700
Capital assets being depreciated or amortized:				
Buildings and improvements	2,408,917	-	-	2,408,917
Machinery and equipment	2,231,462	252,132	(98,405)	2,385,189
Infrastructure	16,718,787	217,733	(10,673)	16,925,847
Software	81,556	-	-	81,556
Total capital assets being depreciated or amortized	21,440,722	469,865	(109,078)	21,801,509
Less accumulated depreciation or amortization for:				
Buildings and improvements	(1,083,229)	(84,199)	-	(1,167,428)
Machinery and equipment	(1,668,359)	(171,213)	96,064	(1,743,508)
Infrastructure	(4,138,482)	(428,452)	4,002	(4,562,932)
Software	(70,471)	(3,695)	-	(74,166)
Total accumulated depreciation or amortization	(6,960,541)	(687,559)	100,066	(7,548,034)
Total capital assets being depreciated or amortized, net	14,480,181	(217,694)	(9,012)	14,253,475
Governmental activities capital assets, net	$ 16,935,556	$ (182,369)	$ (9,012)	$ 16,744,175

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

Governmental activities:	
General government administration	$ 27,461
Public safety	102,353
Public works	515,759
Parks, recreation and cultural	38,217
Community development	3,769
Total depreciation and amortization expense – governmental activities	$ 687,559

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 705,000
Capital Projects Fund	705,000	-
Total	$ 705,000	$ 705,000

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, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Government Activities:					
General obligation bonds	$ 39,958	$ -	$ 39,958	$ -	$ -
Compensated absences payable	293,071	212,448	215,690	289,829	28,983
Governmental activities long-term liabilities	$ 333,029	$ 212,448	$ 255,648	$ 289,829	$ 28,983

At June 30, 2013, the Town had a legal debt margin of $73,971,979.

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, 2013, $167,402 was received from the County. The agreement has concluded and the Town will no longer receive funds from the County related to the aforementioned Agreement of Purchase and Sale.

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.

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 employment. 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 were vested as of January 1, 2013 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 Plan 1 members who were not vested on January 1, 2013 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.

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

- 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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.

  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/2012-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. All or part of the 5.00% member contribution may be assumed by the Town. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. For existing employees, the Town has required the employee to pay the 5% member contribution. 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 2013 was 13.26%, exclusive of the employees' share, of annual covered payroll.

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of $384,408 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, 2011	$ 263,644	100%	$ -
June 30, 2012	263,809	100%	-
June 30, 2013	384,408	100%	-

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 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, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.15% funded. The actuarial accrued liability for benefits was $12,379,258, and the actuarial value of assets was $9,427,159, resulting in a UAAL of $2,952,099. The covered payroll (annual payroll of active employees covered by the plan) was $2,761,284, and ratio of the UAAL to the covered payroll was 106.91%.

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, 2013, the Town and Plan members contributed $141,492 to the Trust Fund. Administrative expenses allocated to the Trust Fund during the fiscal year ended June 30, 2013 totaled $1,110. 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.

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.

Note 11. Postemployment Benefits Other Than Pensions (Continued)

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 July 1, 2012. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at $1,279,400 and an Annual Required Contribution (ARC) of $112,800. 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)	$ 112,800
Interest on net OPEB obligation (asset)	(3,330)
Actuarial adjustment	2,541
Annual OPEB cost	112,011
Contributions made	(141,492)
Increase in net OPEB obligation (asset)	(29,481)
Net OPEB obligation (asset), beginning of year	(29,069)
Net OPEB obligation (asset), end of year	$ (58,550)

Trend Information

Trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2011	$ 133,590	156.7%	$ -
June 30, 2012	131,000	122.2%	29,069
June 30, 2013	112,011	126.3%	58,550

Note 11. Postemployment Benefits Other Than Pensions (Continued)

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.

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 actuary assumed that 90% of eligible retirees will elect coverage and that 30% of retirees who elect coverage will cover a spouse.

Actuarial assumptions also include a 7.50% investment rate of return, payroll growth of 3.75% per year, and health cost trend assumption of 7.5% graded to 4.80% over 83 years using the Getzen Trend Model.

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 July 1, 2012 was 30 years.

Note 12. Pending GASB Statements

At June 30, 2013, 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. 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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

Note 13. 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, 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%
June 30, 2012	9,427,159	12,379,258	2,952,099	76.15%	2,761,284	106.91%

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, 2011	$ 131,000	$ 209,390	159.84%
June 30, 2012	131,000	160,069	122.19%
June 30, 2013	112,800	141,492	125.44%

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SUPPLEMENTARY INFORMATION

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
Year Ended June 30, 2013

	Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Use of money	$ 2,400	$ 2,400	$ 4,394	$ 1,994
Intergovernmental	-	522,000	72,441	(449,559)
Miscellaneous	-	20,000	536,817	516,817
Total revenues	2,400	544,400	613,652	69,252
Expenditures:				
Capital projects	2,914,779	3,651,954	1,100,272	(2,551,682)
Total expenditures	2,914,779	3,651,954	1,100,272	(2,551,682)
Revenues under expenditures	(2,912,379)	(3,107,554)	(486,620)	2,620,934
Other financing sources:				
Transfers in	680,000	705,000	705,000	-
Net change in fund balance	(2,232,379)	(2,402,554)	218,380	2,620,934
Fund balance, beginning	2,232,379	2,402,554	2,407,828	5,274
Fund balance, ending	$ -	$ -	$ 2,626,208	$ 2,626,208

SUPPLEMENTAL SCHEDULES

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	$ 625,000	$ 625,000	$ 624,029	$ (971)
Real and personal public service corporation property taxes	25,000	25,000	21,715	(3,285)
Personal property taxes	250,000	250,000	279,017	29,017
Mobile home taxes	1,400	1,400	1,842	442
Machinery and tools taxes	22,000	22,000	7,787	(14,213)
Penalties	10,000	10,000	23,943	13,943
Interest	7,000	7,000	13,510	6,510
Total general property taxes	940,400	940,400	971,843	31,443
Other local taxes:				
Local sales and use taxes	310,000	310,000	438,114	128,114
Consumer utility taxes	112,000	112,000	124,085	12,085
Consumption taxes	40,000	40,000	38,992	(1,008)
Business license taxes	420,000	420,000	500,256	80,256
Motor vehicle taxes	120,000	120,000	124,961	4,961
Cigarette taxes	315,000	315,000	303,298	(11,702)
Bank stock taxes	200,000	200,000	214,712	14,712
Meals taxes	1,780,000	1,780,000	1,814,498	34,498
Transient occupancy taxes	425,000	425,000	446,241	21,241
Total other local taxes	3,722,000	3,722,000	4,005,157	283,157
Permits, privilege fees and regulatory licenses:				
Permits and other licenses	35,100	35,100	46,392	11,292
Fines and forfeitures	140,000	140,000	113,461	(26,539)
Use of money and property:				
Revenue from use of money	6,000	6,000	6,148	148
Revenue from use of property	16,500	16,500	17,088	588
Total use of money and property	22,500	22,500	23,236	736
Charges for services:				
Parks and recreation	59,000	59,000	50,577	(8,423)
Miscellaneous	-	-	26,316	26,316
Recovered costs:				
County of Hanover	15,000	15,000	17,256	2,256
Randolph Macon College	1,900	1,900	2,041	141
Other	800	800	1,240	440
Total recovered costs	17,700	17,700	20,537	2,837
Total revenue from local sources	4,936,700	4,936,700	5,257,519	320,819

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	$ 9,600	$ 9,600	$ 5,479	$ (4,121)
Auto rental taxes	80,000	80,000	115,576	35,576
Communication sales and use taxes	270,000	270,000	282,849	12,849
Personal property tax relief	111,774	111,774	106,345	(5,429)
Rolling stock taxes	5,000	5,000	11,053	6,053
Total non-categorical aid	476,374	476,374	521,302	44,928
Categorical aid:				
DJCP law enforcement assistance	165,320	165,320	165,320	-
Fire programs	18,765	18,765	20,607	1,842
Street and highway maintenance	1,457,603	1,457,603	1,484,294	26,691
Total categorical aid	1,641,688	1,641,688	1,670,221	28,533
Total revenue from the Commonwealth	2,118,062	2,118,062	2,191,523	73,461
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	3,000	3,000	-	(3,000)
Litter control	2,615	2,615	3,774	1,159
Transportation safety	25,000	25,000	18,823	(6,177)
Arts grant	5,000	5,000	5,000	-
Justice assistance grant	5,500	5,500	5,444	(56)
Total revenue from the federal government	41,115	41,115	33,041	(8,074)
Total intergovernmental revenue	2,159,177	2,159,177	2,224,564	65,387
Total General Fund	$ 7,095,877	$ 7,095,877	$ 7,482,083	$ 386,206

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	$ 2,400	$ 2,400	$ 4,394	$ 1,994
Total revenue from use of money	2,400	2,400	4,394	1,994
Miscellaneous	-	20,000	536,817	516,817
Total revenue from local sources	2,400	22,400	541,211	518,811
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Safe routes to schools	-	472,000	35,325	(436,675)
Chesapeake Bay grant	-	25,000	25,000	-
DCR grant for stormwater	-	25,000	12,116	(12,884)
Total revenue from the federal government	-	522,000	72,441	(449,559)
Total Capital Projects Fund	$ 2,400	$ 544,400	$ 613,652	$ 69,252
Grand Total Revenues - Primary Government	$ 7,098,277	$ 7,640,277	$ 8,095,735	$ 455,458

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council	$ 33,407	$ 33,407	$ 25,067	$ (8,340)
General and financial administration:				
Town manager	430,946	430,946	450,153	19,207
Tourism	124,970	124,970	126,242	1,272
Treasurer	259,759	259,759	256,313	(3,446)
Information technology	90,100	90,100	86,743	(3,357)
Total general and financial administration	905,775	905,775	919,451	13,676
Total general government administration	939,182	939,182	944,518	5,336
Public safety:				
Law enforcement and traffic control:				
Police	2,270,780	2,270,780	2,270,995	215
Fire and rescue services:				
Fire department	36,932	36,932	42,601	5,669
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	41,932	41,932	47,601	5,669
Total public safety	2,312,712	2,312,712	2,318,596	5,884
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/administration	588,948	588,948	621,043	32,095
Street maintenance	1,377,601	1,377,601	1,283,157	(94,444)
Storm drainage	26,000	26,000	21,861	(4,139)
Snow and ice removal	32,000	32,000	14,728	(17,272)
Traffic engineering	43,500	43,500	12,826	(30,674)
Streetlights	53,000	53,000	48,989	(4,011)
Total maintenance of highways, streets, bridges and sidewalks	2,121,049	2,121,049	2,002,604	(118,445)
Sanitation and waste removal:				
Refuse collection and disposal	386,500	386,500	358,782	(27,718)
Maintenance of general buildings and grounds:				
General properties	197,382	197,382	182,528	(14,854)
Vehicle maintenance	156,595	156,595	144,230	(12,365)
Total public works	2,861,526	2,861,526	2,688,144	(173,382)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Parks, recreation and cultural:				
Supervision of parks and recreation	$ 154,317	$ 154,317	$ 142,935	$ (11,382)
Community development:				
Planning and zoning	373,565	373,565	370,938	(2,627)
Economic development	152,592	152,592	136,394	(16,198)
Total community development	526,157	526,157	507,332	(18,825)
Nondepartmental:				
Contribution to fund OPEB	171,728	171,728	-	(171,728)
Debt service:				
Principal	40,530	40,530	39,958	(572)
Interest	572	572	571	(1)
Total debt service	41,102	41,102	40,529	(573)
Total General Fund	$ 7,006,724	$ 7,006,724	$ 6,642,054	$ (364,670)
Capital Projects Fund:				
Residential streets improvement program	$ 459,308	$ 655,157	$ 430,324	$ (224,833)
Sidewalks, curb and gutter	359,300	359,300	-	(359,300)
Drainage improvements	183,757	183,757	138,656	(45,101)
Stormwater management program	-	25,000	19,658	(5,342)
Route 1 / Ashcake Road intersection improvements	24,592	24,592	-	(24,592)
Route 1 / Route 54 intersection improvements	450,000	450,000	-	(450,000)
Railroad crossing improvements	80,000	80,000	-	(80,000)
Downtown campus maintenance fund	54,812	51,712	-	(51,712)
Public works facilities	100,000	100,000	-	(100,000)
SRTS - Duncan & Stebbins	-	472,000	35,325	(436,675)
Railroad Avenue parking lot	200,000	221,200	218,158	(3,042)
Public works vehicle replacement fund	270,960	237,414	60,151	(177,263)
Downtown sidewalks	186,945	205,745	31,159	(174,586)
Downtown parking	20,000	20,000	-	(20,000)
Trails	5,000	5,000	-	(5,000)
Dejarnette Park	5,000	5,000	-	(5,000)
S. Taylor Street park maintenance	5,000	5,000	-	(5,000)
Economic develop incentive	-	25,000	-	(25,000)
Carter Park	25,000	25,000	16,793	(8,207)
Trail on N. Center Street	40,000	40,000	-	(40,000)
Skateboard Park	10,000	20,000	-	(20,000)
APD capital expenditures	-	20,000	20,000	-
Pufferbelly Park maintenance	25,000	25,011	18,420	(6,591)
Gateway and wayfinding	157,985	157,760	-	(157,760)
Contingencies	126,768	126,390	353	(126,037)
Police vehicle replacement fund	125,352	111,916	111,275	(641)
Total Capital Projects Fund	$ 2,914,779	$ 3,651,954	$ 1,100,272	$ (2,551,682)
Grand Total Expenditures - Primary Government	$ 9,921,503	$ 10,658,678	$ 7,742,326	$ (2,916,352)

STATISTICAL SECTION

TOWN OF ASHLAND, VIRGINIA

STATISTICAL SECTION
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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.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

TOWN OF ASHLAND, VIRGINIA

Table 1

NET POSITION/ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	$ -
Net investment in capital assets	-	-	-	-	-	-	-	-	-	16,744,175
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	7,468,131
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	
Total governmental activities net position										$ 24,212,306

Note:

(1) The Town implemented GASB Statement 63 in fiscal year 2013, which changed descriptions and definitions. "Net assets" is now "Net position" and "Invested in capital assets, net of related debt" is now "Net investment in capital assets." The new statement also changed how these amounts are calculated.

TOWN OF ASHLAND, VIRGINIA

Table 2
Page 1

CHANGES IN NET POSITION/ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	$ 967,749
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	2,410,269
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	3,777,614
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	196,080
Community development	496,957	481,643	530,371	472,345	508,235	547,544	465,452	435,808	460,829	508,743
Interest	14,176	8,796	7,552	6,575	5,575	4,520	3,460	2,351	751	571
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	7,861,026
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	7,861,026
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	178,349
Public works	-	23,250	10,970	-	-	-	-	-	2,152	2,041
Parks, recreation and cultural	51,267	54,101	59,464	64,878	65,355	62,179	53,789	63,284	66,347	50,577
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	657,038
Capital grants and contributions	565,035	22,798	-	2,924,497	876,165	332,763	-	-	1,152,183	1,118,665
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	2,006,670
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	2,006,670
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)	(5,854,356)
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)	(5,854,356)

TOWN OF ASHLAND, VIRGINIA

Table 2
Page 2

CHANGES IN NET POSITION/ASSETS (CONTINUED)
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	$ 1,056,984
Local sales and use	359,046	417,411	440,046	469,870	484,839	334,098	318,926	338,717	353,643	438,114
Business license	293,386	437,781	531,374	500,578	459,209	467,741	441,166	434,134	434,888	500,256
Transient occupancy	522,563	494,132	581,342	594,716	591,906	531,333	480,558	451,943	456,153	446,241
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	1,814,498
Other	680,385	868,445	987,307	745,668	747,064	750,646	1,141,773	824,267	852,914	806,048
Use of money and property	60,018	93,786	217,810	282,466	224,211	85,775	32,426	27,958	23,517	27,630
Miscellaneous	116,839	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)	75,201	563,133
Intergovernmental, non-categorical aid	204,327	217,038	218,466	27,784	209,491	210,683	195,482	486,050	517,339	521,302
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	6,174,206
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	6,174,206
Changes in net position/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	319,850
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	$ 319,850

Note:

(1) 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,				
	2004	2005	2006	2007	2008
General Fund:					
Unreserved	$ 3,949,013	$ 4,290,267	$ 4,664,398	$ 3,943,785	$ 4,020,537
Total General Fund	$ 3,949,013	$ 4,290,267	$ 4,664,398	$ 3,943,785	$ 4,020,537
All Other Governmental Funds:					
Reserved	$ 1,614,547	$ 1,656,212	$ 2,318,880	$ 2,907,777	$ 2,101,370
Total all other governmental funds	$ 1,614,547	$ 1,656,212	$ 2,318,880	$ 2,907,777	$ 2,101,370

	Fiscal Year June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Unreserved	$ 4,310,763	$ 4,914,679	$ -	$ -	$ -
Unassigned	-	-	4,806,186	4,722,404	4,857,433
Total General Fund	$ 4,310,763	$ 4,914,679	$ 4,806,186	$ 4,722,404	$ 4,857,433
All Other Governmental Funds:					
Reserved	$ 2,127,040	$ 2,392,999	$ -	$ -	$ -
Committed	-	-	1,962,268	2,407,828	2,626,208
Total all other governmental funds	$ 2,127,040	$ 2,392,999	$ 1,962,268	$ 2,407,828	$ 2,626,208

Note:

(1) In fiscal year 2011, the Town implemented GASB Statement 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, committted, assigned, or unassigned.

TOWN OF ASHLAND, VIRGINIA

Table 4
Page 1

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
General property taxes	$ 703,906	$ 642,808	$ 655,553	$ 746,254	$ 770,247	$ 1,037,166	$ 979,608	$ 974,627	$ 962,153	$ 971,843
Other local taxes	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	4,005,157
Permits, privilege fees and regulatory licenses	34,805	23,250	10,970	30,131	46,294	60,361	47,854	37,309	58,518	46,392
Fines and forfeitures	32,885	25,747	35,321	75,421	89,489	107,745	135,041	145,267	144,895	113,461
Use of money and property	60,018	93,785	217,810	282,466	224,211	85,775	32,426	27,958	23,517	27,630
Charges for services	51,267	54,101	59,464	64,878	65,355	62,179	53,789	63,284	66,347	50,577
Miscellaneous	116,839	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)	75,201	563,133
Recovered costs	138,164	26,106	617,957	300,485	131,893	64,733	55,946	29,543	19,751	20,537
Intergovernmental:										
Local	402,500	-	-	-	-	-	-	-	-	-
Commonwealth	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	2,191,523
Federal	360,235	297,070	1,205,423	2,937,534	884,159	376,811	47,152	24,700	87,829	105,482
Total revenues	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	8,095,735
Expenditures:										
General government administration	631,586	634,925	721,080	1,158,148	1,059,054	1,111,174	1,031,702	1,038,230	926,453	944,518
Public safety	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	2,318,596
Public works	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	2,688,144
Parks, recreation and cultural	80,134	82,707	181,026	172,933	141,123	115,135	117,621	137,974	131,565	142,935
Community development	543,920	477,828	521,458	460,483	501,435	489,879	451,049	410,881	446,579	507,332
Nondepartmental	-	-	-	-	-	-	-	128,400	160,069	-
Capital projects	2,380,005	721,860	1,728,983	3,771,095	2,112,901	691,337	150,646	1,361,105	524,312	1,100,272
Debt service:										
Principal	169,578	177,375	175,000	34,111	35,085	37,034	37,034	38,984	38,983	39,958
Interest and fiscal charges	89,592	10,910	40,827	6,982	5,993	4,961	3,902	2,815	1,692	571
Total expenditures	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	7,742,326
Revenues over (under) expenditures	(951,023)	382,917	1,036,798	(131,716)	(744,655)	315,896	869,875	(474,495)	361,778	353,409
Other financing sources (uses):										
Transfers in	482,557	415,000	755,000	1,128,293	250,000	350,000	410,000	901,167	966,998	705,000
Transfers out	(482,557)	(415,000)	(755,000)	(1,128,293)	(250,000)	(350,000)	(410,000)	(901,167)	(966,998)	(705,000)
Sale of capital assets	-	-	-	-	15,000	-	-	-	-	-
Total other financing sources, net	-	-	-	-	15,000	-	-	-	-	-
Net change in fund balances	$ (951,023)	$ 382,917	$ 1,036,798	$ (131,716)	$ (729,655)	$ 315,896	$ 869,875	$ (474,495)	$ 361,778	$ 353,409

TOWN OF ASHLAND, VIRGINIA

Table 4
Page 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt service as a percentage of noncapital expenditures:										
Total debt service	$ 259,170	$ 188,285	$ 215,827	$ 41,093	$ 41,078	$ 41,995	$ 40,936	$ 41,799	$ 40,675	$ 40,529
Total expenditures	$ 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	$ 7,742,326
Less: capital outlay	(121,052)	(721,860)	(1,728,983)	(3,771,095)	(2,112,901)	(691,337)	(150,646)	(1,145,407)	(346,148)	(505,190)
Noncapital expenditures	$ 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	$ 7,237,136
Debt service as a percentage of noncapital expenditures	3.56%	3.56%	3.82%	0.63%	0.61%	0.65%	0.66%	0.64%	0.60%	0.56%

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,	Property (1)	Local Sales and Use	Consumer Utility	Consumption	Communications (2)(3)	Franchise	Business License	Motor Vehicle	Bank Stock	Cigarette	Transient Occupancy	Meals (4)	Totals
2004	$ 677,016	$ 359,046	$ 293,386	$ 30,092	$ -	$ 63,860	$ 522,563	$ 121,397	$ 126,911	$ -	$ 338,125	$ 1,205,899	$ 3,738,295
2005	607,139	417,411	300,585	33,358	-	70,613	437,781	123,552	146,790	-	494,132	1,585,208	4,216,569
2006	634,414	440,046	341,277	37,019	-	72,220	531,374	126,064	170,662	-	581,342	1,740,219	4,674,637
2007	720,182	469,870	232,124	37,719	134,363	40,870	500,578	152,892	147,700	-	594,716	1,750,879	4,781,893
2008	744,824	484,839	111,119	38,834	313,337	-	459,209	130,336	153,438	-	591,906	1,884,529	4,912,371
2009	1,010,261	334,098	118,332	37,787	284,695	(48)	467,741	134,370	175,510	-	531,333	1,815,232	4,909,311
2010	954,557	318,926	146,860	33,899	286,484	-	441,166	127,049	204,290	343,191	480,558	1,764,723	5,101,703
2011	949,713	338,717	112,095	44,451	-	-	434,134	123,063	235,104	309,554	451,943	1,769,105	4,767,879
2012	935,109	353,643	116,526	39,055	-	-	434,888	116,645	213,271	367,417	456,153	1,824,826	4,857,533
2013	934,390	438,114	124,085	38,992	-	-	500,256	124,961	214,712	303,298	446,241	1,814,498	4,939,547
Change 2004-2013	38.02%	22.02%	-57.71%	29.58%		-100.00%	-4.27%	2.94%	69.18%	100.00%	31.98%	50.47%	32.13%

Notes:

(1) Property tax revenue does not include penalties and interest collected on delinquent tax collections.

(2) 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.

(3) 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 2.

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
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	727,199,100	50,773,355	2,265,115	3,044,170	29,305,939	133,790	812,721,469	0.68%	812,721,469	100.00%	0.86
2013	712,071,800	54,050,955	2,186,100	2,617,210	27,647,987	81,291	798,655,343	-1.73%	798,655,343	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)

	Direct Tax Rates - Town				Overlapping Tax Rates - County					Tax Rates - Total Direct Rate				
Fiscal Year June 30,	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
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
2013	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)

Fiscal Year June 30,	Transient Occupancy	Meals	Cigarette (1)
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
2013	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)

		Fiscal Year June 30, 2013			Fiscal year June 30, 2004		
Taxpayer	Type Business	2012 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	$ 13,631,900	1	1.84%	$ 11,421,000	2	2.28%
Dominion Virginia Power	Utility	13,002,779	2	1.76%	9,057,408	3	1.81%
Ashland Town Square, LLC	Apartments	11,597,700	3	1.57%	7,999,900	4	1.60%
Wal-mart Real Estate Bus. Trust	Shopping Center	10,822,400	4	1.46%	-		-
Sedgefield Mobile Associates, LP	Mobile Home Community	9,054,100	5	1.22%	7,518,600	6	1.50%
Verizon Virginia, Inc.	Communications / Public Service	7,451,063	6	1.01%	19,152,056	1	3.83%
Ashland Junction, LLC	Shopping Center	7,415,500	7	1.00%	6,500,100	5	1.30%
Ashland Hi, LLC	Commercial	6,751,000	8	0.91%	-		-
Concrete Pipe and Products	Commercial	5,850,300	9	0.79%	-		-
Shreeji Swami Hospitality, LLC	Hotel	5,387,700	10	0.73%	-		-
Total		$ 90,964,442		12.29%	$ 61,649,064		12.32%

Notes:

(1) Source: Commissioner of Revenue.

(2) Total real estate assessment as noted on Table 6 is $739,719,787.

TOWN OF ASHLAND, VIRGINIA

Table 10

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

Taxpayer	Fiscal Year June 30, 2013 Rank	Fiscal Year June 30, 2004 Rank
Cracker Barrel	1	1
McDonalds #3674	2	3
McDonalds #11611	3	5
Applebee's	4	-
Wendy's	5	6
Ponderosa	6	2
Hardees	7	11
Ruby Tuesday	8	7
Starbucks	9	-
Ironhorse	10	13
Total Meals Tax for the Year	$ 1,814,498	$ 1,205,899

Notes:

(1) The Meals Tax Rate is 5% for fiscal year 2013. It was 4% in fiscal year 2004.

(2) Per State code, meals tax remittances for individual businesses are protected information and therefore masked in this report.

TOWN OF ASHLAND, VIRGINIA

Table 11

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
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%
2013	1,102,865	1,040,735	94.37%	-	1,040,735	94.37%

Note:

(1) Source: Commissioner of Revenue.

TOWN OF ASHLAND, VIRGINIA

Table 12

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

Fiscal Year June 30,	Governmental Activities General Obligation Bonds	Total Primary Government	Percentage of Per Capita Personal Income	Net Debt Per Capita
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 17.

(3) There was no General Obligation Debt outstanding at year end.

TOWN OF ASHLAND, VIRGINIA

Table 13

RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Nine 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
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	0.00%	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 17.

(3) See Table 6 for property value data.

(4) There was no General Obligation Debt outstanding at year end.

TOWN OF ASHLAND, VIRGINIA

Table 14

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2013
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Hanover, Virginia	$ 139,038,517	5.70%	$ 7,925,195
Town Direct Debt			-
Total direct and overlapping debt			$ 7,925,195

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 15

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Legal debt margin	$ 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	$ 73,971,979
Total net debt applicable to limit	472,675	295,300	261,189	227,078	191,993	154,959	117,925	78,941	39,958	-
Available legal debt margin	$ 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	$ 73,971,979
Total net debt applicable to the limit as a percentage of debt limit	0.98%	0.59%	0.49%	0.37%	0.29%	0.21%	0.16%	0.10%	0.05%	0.00%

Legal debt margin calculation for fiscal year 2013:	
Assessed value of real estate	$ 739,719,787
Debt limit (10% of assessed value)	$ 73,971,979
Debt applicable to limit:	
Net direct debt outstanding	-
Available legal debt margin	$ 73,971,979

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 16

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

	2013			2004		
Employer	Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	2,532	1	4.9%	2,373	1	4.8%
Bon Secours Memorial Regional Medical	1,000 and over	2	3.9%	1,000 and over	2	4.0%
County of Hanover	1,090	3	2.1%	969	3	1.9%
Randolph-Macon College	500-999	4	1.4%	500-999	6	1.5%
Tyson Foods	500-999	5	1.4%	500-999	5	1.5%
Supervalu	500-999	6	1.4%	500-999	4	1.5%
Paramount Kings Dominion	500-999	7	1.4%	500-999	8	1.5%
Wal-Mart Stores	250-499	8	1.4%	500-999	7	1.5%
Sales Mark	250-499	9	0.7%	n/a	n/a	
Acosta Sales & Marketing Co.	250-499	10	0.7%	n/a	n/a	
Culpeper Star Exponent				250-499	9	0.7%
Ukrops				250-499	10	0.7%
			19.3%			19.6%
Total County Employment (3)	51,922			49,886		

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 17

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)	County of Hanover Unemployment Rate (5)
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%
2013	7,289	22,932	167,151,348	34.6	17,942	5.4%

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 2011 through 2013, Virginia Employment Commission for 2004 through 2010.

TOWN OF ASHLAND, VIRGINIA

Table 18

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

	Fiscal Year June 30,									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government administration	13	8	8	8	8	9	9	6	6	6
Public safety:										
Police department	26	27	28	25	28	28	24	27	27	27
Public works:										
Maintenance	24	24	24	25	24	23	22	22	22	22
Community development:										
Planning	6	6	6	6	5	5	3	5	5	5
Total	69	65	66	64	65	65	58	60	60	60

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 19

OPERATING INDICATORS BY FUNCTION/PROGRAMS
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year June 30,									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety:										
Building inspections:										
Total building permits	81	109	97	87	113	131	126	101	127	103

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 20

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

	Fiscal Year June 30,									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Vehicles	6	6	6	8	8	8	9	2	4	1
Public safety:										
Police department:										
Patrol units	21	21	21	22	26	28	27	33	25	28
Other vehicles	2	2	2	2	1	1	2	2	4	6
Public works:										
General maintenance:										
Trucks/vehicles	21	21	20	21	19	19	19	20	19	22
Equipment	82	90	98	78	87	86	87	28	21	17
Parks and recreation:										
Parks acreage	23.00	23.22	23.22	23.22	23.22	23.60	23.60	23.60	23.60	23.60
Swimming pools	1	1	1	1	1	1	1	1	1	1

Note:

(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 Mayor and Members of Council
Town of Ashland, Virginia
Ashland, Virginia

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 3, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 3, 2013