

Comprehensive Annual Financial Report



Fiscal Year Ended

June 30, 2014

TOWN OF ASHLAND, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2014

Prepared by:

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TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014

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INTRODUCTORY SECTION



Town of Ashland

Center of the Universe

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TELEPHONE (804) 798-9219
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October 7, 2014

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

Dear Members of Town Council:

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

Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia for the fiscal year ended June 30, 2014, is submitted herewith as required by the *Code of Virginia*. This report was prepared by the Finance Office in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

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

Included in these financial statements is the General Fund, Capital Projects Fund, and a fund for Other Postemployment 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 2013-14 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 was developed as a major distribution site for a second national retailer in FY 2014 which will open in February 2015.

As mentioned previously, commercial building activity has been slow during FY 2014 with few new businesses occupying space in existing buildings and very little construction of new buildings. Fifteen commercial certificates of occupancy (CO's) were issued during the year, which is two more than approved in FY 2013. 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. Thirty-three new business licenses were approved in FY 2014. 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 began on a distribution center for Republic National, a national distributor of wine and spirits. O'Reilly Auto Parts constructed a new facility on the site of the former Smokey Pig Restaurant. Martin's added a fuel facility to their property. Finally, Randolph-Macon College made substantial investments in improving their campus. They completed construction of a second new modern dormitory. 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 and in new smaller subdivisions, such as Lance and Bridle. Only twelve certificates of occupancy were issued for residential units in Ashland during the year, representing a 42 percent annual decrease in the total number of residential units compared to the previous fiscal year and a 67 percent decrease in the past two fiscal years. Residential development continues to occur immediately around the town to the north and east.

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 FY 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 FY 2005 to 5%. In FY 2010, the Town Council instituted a cigarette tax of \$.19/pack. For FY 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 FY 2014 budget. In addition to these infrastructure improvements, the Town paid off its last piece of outstanding debt in FY 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, 2013. 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.

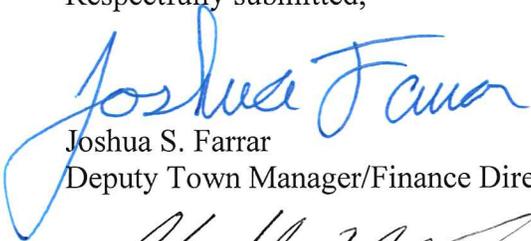
A Certificate of Achievement is valid for a period of one year only. The Town of Ashland has received a Certificate of Achievement for the last twenty-seven consecutive years (fiscal years ended 1987 - 2013). We believe our current report continues to conform to the Certificate of Achievement program 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

Dr. George F. Spagna

Mayor

Edward L. “Ned” Henson, III

Vice-Mayor

MEMBERS OF COUNCIL

James Murray

Faye O. Prichard

Steven P. Trivett

OTHER OFFICIALS

Charles W. Hartgrove

Joshua Farrar

Dallin Kimble

Andrea G. Erard

Town Manager

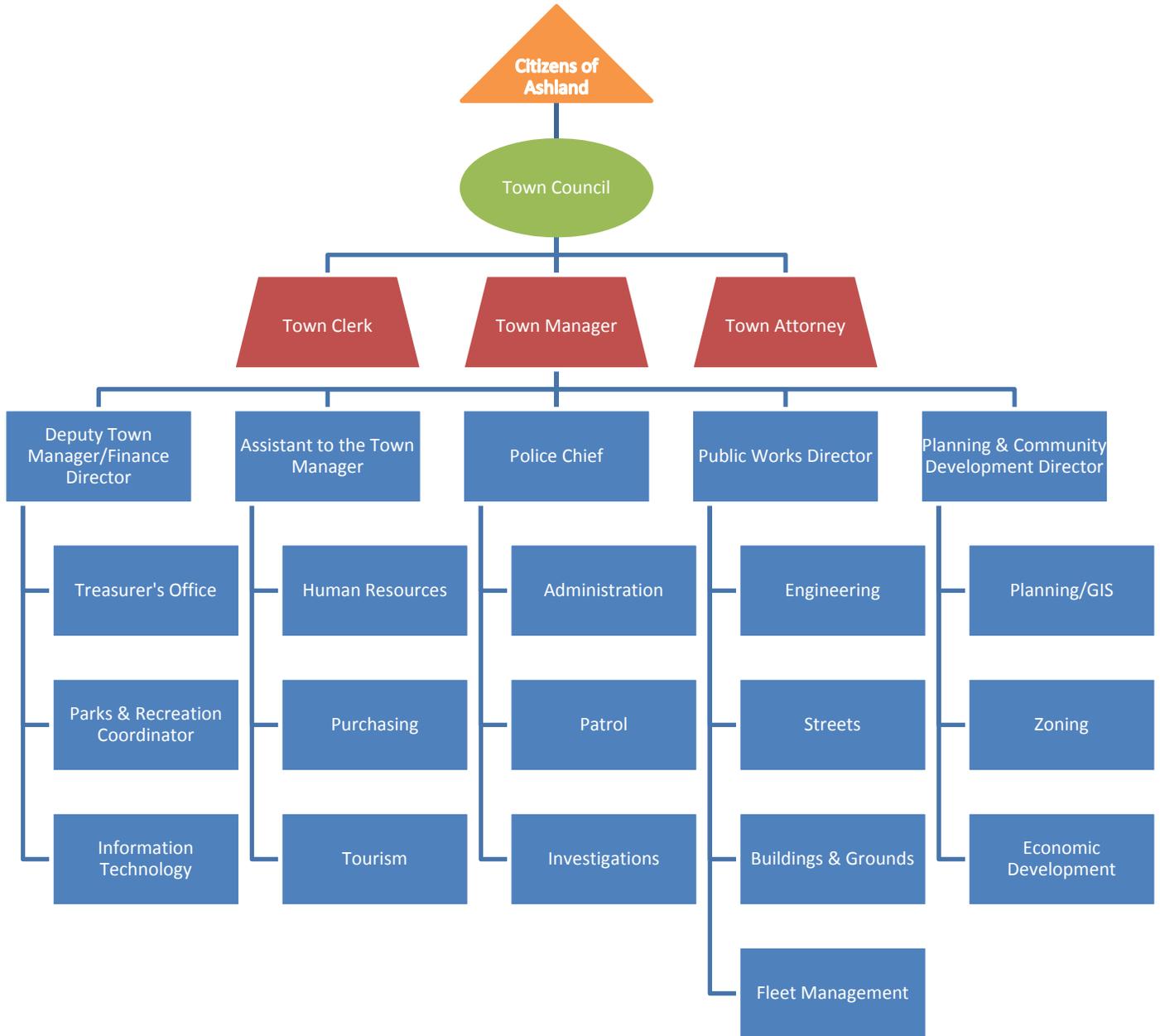
Deputy Town Manager/Finance Director

Clerk of the Council

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, 2013

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, 2014, 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, 2014, 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 45, 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 September 26, 2014 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
September 26, 2014

**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, 2014. 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 \$24,958,691 (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 \$439,556.

- As of the close of the current fiscal year, the Town's funds reported ending fund balances of \$7,923,197, an increase of \$439,556 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,207,596, or 76.7% of total General Fund expenditures and other uses.
- Long-term obligations of the Town comprised solely of compensated absences increased by \$37,735 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 \$24,958,691 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, 2014 and 2013

	Governmental Activities		Increase (Decrease)	% Change
	2014	2013		
Current and other assets	\$ 8,526,688	\$ 8,578,920	\$ (52,232)	(0.6%)
Capital assets, net	17,097,569	16,744,175	353,394	2.1%
Total assets	25,624,257	25,323,095	301,162	1.2%
Current liabilities	338,002	820,960	(482,958)	(58.8%)
Noncurrent liabilities	327,564	289,829	37,735	13.0%
Total liabilities	665,566	1,110,789	(445,223)	(40.1%)
Net position:				
Net investment in capital assets	17,097,569	16,744,175	353,394	2.1%
Unrestricted	7,861,122	7,468,131	392,991	5.3%
Total net position	\$ 24,958,691	\$ 24,212,306	\$ 746,385	3.1%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's Net Position increased by \$746,385 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, 2014 and 2013

	Governmental Activities		Increase	%
	2014	2013	(Decrease)	Change
Revenues:				
Program revenues:				
Charges for services	\$ 227,944	\$ 230,967	\$ (3,023)	(1.3%)
Operating grants and contributions	605,249	657,038	(51,789)	(7.9%)
Capital grants and contributions	1,613,559	1,118,665	494,894	44.2%
General revenues:				
General property taxes	981,908	1,056,984	(75,076)	(7.1%)
Other local taxes	4,178,867	4,005,157	173,710	4.3%
Grants and contributions not restricted	522,807	521,302	1,505	.3%
Other	419,757	590,763	(171,006)	(28.9%)
Total revenues	8,550,091	8,180,876	369,215	4.5%
Expenses:				
General government administration	974,966	967,749	7,217	.7%
Public safety	2,650,596	2,410,269	240,327	10.0%
Public works	3,480,524	3,777,614	(297,090)	(7.9%)
Parks, recreation and cultural	193,899	196,080	(2,181)	(1.1%)
Community development	503,721	508,743	(5,022)	(1.0%)
Interest and fiscal charges	-	571	(571)	(100.0%)
Total expenses	7,803,706	7,861,026	(57,320)	(.7%)
Change in net position	746,385	319,850	426,535	133.4%
Net Position, beginning of year	24,212,306	23,892,456	319,850	1.3%
Net Position, end of year	\$ 24,958,691	\$ 24,212,306	\$ 746,385	3.1%

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 \$7,923,197, an increase of \$439,556 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. Approximately 65.7% 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 \$2,715,601, all of which was committed for current or future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The changes in revenues and expenditures between the original and final General Fund budget was the appropriation of an additional \$100,000 in new transfers to the Capital Projects Fund and \$151,682 in Revenues and Expenditures through the Attorney General's Asset Forfeiture Fund.

During the year, revenues exceeded budgetary estimates by \$371,715. Expenditures were less than budgetary estimates by \$649,217, resulting in a positive variance of \$1,020,932.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2014 amounted to \$17,097,569 (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 \$327,564. The Town made its final bond debt payment on August 1, 2012.

The Town's long-term obligations increased by \$37,735 during the current fiscal year. The increase was the result of an increase in the liability for compensated absences of \$37,735.

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% at June 30, 2014. The Commonwealth of Virginia's unemployment rate was 5.4% 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 2015 fiscal year.

The fiscal year 2015 budget increased by approximately 9.9% compared to the Town's amended budget for fiscal year 2014.

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, 2014

	Primary Government	Component Unit
	Governmental Activities	Economic Development Authority
ASSETS		
Cash and cash equivalents	\$ 7,762,336	\$ 240,022
Receivables, net:		
Property taxes	174,112	-
Other accounts	259,551	-
Due from other governments	235,801	-
Prepaid:		
Other postemployment benefits	94,888	-
Capital assets:		
Land	2,455,375	-
Buildings and improvements	2,420,012	-
Machinery and equipment	2,673,749	-
Infrastructure	16,925,847	-
Software	119,585	-
Construction in progress	769,803	-
Less: accumulated depreciation and amortization	(8,266,802)	-
Total assets	25,624,257	240,022
LIABILITIES		
Accounts payable	117,077	-
Accrued payroll and benefits	79,335	-
Unearned revenue	12,217	-
Performance bond payable	129,373	-
Noncurrent liabilities:		
Due within one year:		
Compensated absences	32,756	-
Due in more than one year:		
Compensated absences	294,808	-
Total liabilities	665,566	-
NET POSITION		
Net investment in capital assets	17,097,569	-
Unrestricted	7,861,122	240,022
Total net position	\$ 24,958,691	\$ 240,022

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Entity/Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Economic Development Authority
Primary Government:						
Governmental activities:						
General government administration	\$ 974,966	\$ -	\$ -	\$ -	\$ (974,966)	\$ -
Public safety	2,650,596	168,009	203,666	156,775	(2,122,146)	-
Public works	3,480,524	3,080	396,583	1,226,784	(1,854,077)	-
Parks, recreation and cultural	193,899	56,855	-	-	(137,044)	-
Community development	503,721	-	5,000	230,000	(268,721)	-
Total governmental activities	7,803,706	227,944	605,249	1,613,559	(5,356,954)	-
Total primary government	\$ 7,803,706	\$ 227,944	\$ 605,249	\$ 1,613,559	(5,356,954)	-
Component Unit:						
Economic Development Authority	\$ 20,449	\$ 113,762	\$ -	\$ -	-	93,313
Total component unit	\$ 20,449	\$ 113,762	\$ -	\$ -	-	93,313
General Revenues:						
Taxes:						
General property taxes					981,908	-
Other local taxes:						
Meals					1,850,129	-
Transient occupancy					584,443	-
Business license					478,934	-
Local sales and use					460,355	-
Other					805,006	-
Intergovernmental, non-categorical aid					522,807	-
Use of money and property					23,519	807
Miscellaneous					396,238	-
Total general revenues					6,103,339	807
Change in net position					746,385	94,120
Net position, beginning					24,212,306	145,902
Net position, ending					\$ 24,958,691	\$ 240,022

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 5,027,200	\$ 2,735,136	\$ 7,762,336
Receivables, net:			
Property taxes	174,112	-	174,112
Other accounts	259,551	-	259,551
Due from other governments	211,157	24,644	235,801
Total assets	\$ 5,672,020	\$ 2,759,780	\$ 8,431,800
LIABILITIES			
Accounts payable	\$ 72,898	\$ 44,179	\$ 117,077
Accrued payroll and benefits	79,335	-	79,335
Performance bond payable	129,373	-	129,373
Unearned revenue	12,217	-	12,217
Total liabilities	293,823	44,179	338,002
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	170,601	-	170,601
Total deferred inflows of resources	170,601	-	170,601
FUND BALANCES			
Committed:			
Capital projects	-	2,715,601	2,715,601
Unassigned	5,207,596	-	5,207,596
Total fund balances	5,207,596	2,715,601	7,923,197
Total liabilities, deferred inflows of resources and fund balances	\$ 5,672,020	\$ 2,759,780	\$ 8,431,800

TOWN OF ASHLAND, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Funds	
Total fund balances - governmental funds	\$ 7,923,197	
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 25,364,371	
Less: accumulated depreciation and amortization	<u>(8,266,802)</u>	
Net capital assets		17,097,569
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		170,601
<p>Other postemployment benefits (OPEB) assets (obligations) are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
		94,888
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
Compensated absences	<u>(327,564)</u>	<u>(327,564)</u>
Net position of governmental activities		<u><u>\$ 24,958,691</u></u>

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 1,027,076	\$ -	\$ 1,027,076
Other local taxes	4,178,867	-	4,178,867
Permits, privilege fees and regulatory licenses	36,833	-	36,833
Fines and forfeitures	114,293	-	114,293
Use of money and property	20,886	2,633	23,519
Charges for services	56,855	-	56,855
Miscellaneous	51,238	345,000	396,238
Recovered costs	19,963	-	19,963
Intergovernmental	2,419,534	92,081	2,511,615
Total revenues	7,925,545	439,714	8,365,259
Expenditures:			
Current:			
General government administration	945,908	-	945,908
Public safety	2,608,009	-	2,608,009
Public works	2,597,852	-	2,597,852
Parks, recreation and cultural	144,852	-	144,852
Community development	491,261	-	491,261
Capital projects	-	1,137,821	1,137,821
Total expenditures	6,787,882	1,137,821	7,925,703
Revenues over (under) expenditures	1,137,663	(698,107)	439,556
Other financing sources (uses):			
Transfers in (out)	(787,500)	787,500	-
Total other financing sources (uses)	(787,500)	787,500	-
Net change in fund balances	350,163	89,393	439,556
Fund balances, beginning	4,857,433	2,626,208	7,483,641
Fund balances, ending	\$ 5,207,596	\$ 2,715,601	\$ 7,923,197

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, 2014**

	Governmental Funds	
Net change in fund balance - total governmental funds	\$ 439,556	
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 capital outlays exceeded depreciation and amortization in the current period.		
Expenditures for capital assets	\$ 864,221	
Less: depreciation and amortization expense	<u>(740,827)</u>	
Excess of depreciation and amortization over capital outlays		123,394
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		230,000
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		(45,168)
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	(37,735)	
Other postemployment benefits	<u>36,338</u>	
		<u>(1,397)</u>
Change in net position of governmental activities		<u><u>\$ 746,385</u></u>

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2014

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 935,500	\$ 935,500	\$ 1,027,076	\$ 91,576
Other local taxes	4,004,737	4,004,737	4,178,867	174,130
Permits, privilege fees and regulatory licenses	32,000	32,000	36,833	4,833
Fines and forfeitures	100,000	100,000	114,293	14,293
Use of money and property	23,500	23,500	20,886	(2,614)
Charges for services	63,500	63,500	56,855	(6,645)
Miscellaneous	5,935	5,935	51,238	45,303
Recovered costs	22,000	22,000	19,963	(2,037)
Intergovernmental	2,214,976	2,366,658	2,419,534	52,876
Total revenues	7,402,148	7,553,830	7,925,545	371,715
Expenditures:				
Current:				
General government administration	968,544	968,544	945,908	(22,636)
Public safety	2,386,040	2,537,722	2,608,009	70,287
Public works	3,057,556	3,057,556	2,597,852	(459,704)
Parks, recreation and cultural	183,561	183,561	144,852	(38,709)
Community development	538,460	538,460	491,261	(47,199)
Nondepartmental	151,256	151,256	-	(151,256)
Total expenditures	7,285,417	7,437,099	6,787,882	(649,217)
Revenues over expenditures	116,731	116,731	1,137,663	1,020,932
Other financing uses:				
Transfers out	(787,500)	(887,500)	(787,500)	100,000
Total other financing uses	(787,500)	(887,500)	(787,500)	100,000
Net change in fund balance	\$ (670,769)	\$ (770,769)	350,163	\$ 1,120,932
Fund balance, beginning			<u>4,857,433</u>	
Fund balance, ending			<u>\$ 5,207,596</u>	

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND**

June 30, 2014

	OPEB Trust Fund
<hr/>	
ASSETS	
Cash and cash equivalents	<u>\$ 601,451</u>
Total assets	<u>601,451</u>
NET POSITION	
Held in trust for other postemployment benefits (OPEB)	<u><u>\$ 601,451</u></u>

TOWN OF ASHLAND, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2014**

	OPEB Trust Fund
<hr/>	
Additions:	
Contributions:	
Employer	\$ 119,000
Plan members	<u>33,957</u>
Total contributions	<u>152,957</u>
Investment Income:	
From investment activities:	
Interest and dividends earned on investments	285
Net increase in fair value of investments	<u>63,972</u>
Total income from investment activities	<u>64,257</u>
Total additions	<u>217,214</u>
Deductions:	
Administrative fees	1,759
Benefits paid	<u>33,957</u>
Total deductions	<u>35,716</u>
Change in net position	181,498
Net Position, beginning	<u>419,953</u>
Net Position, ending	<u><u>\$ 601,451</u></u>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 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, 2014. 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, 2014 as a discretely presented component unit.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations

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

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

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

Pamunkey Regional Jail Authority: The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County of Hanover serves as fiscal agent for the Jail Authority; however, the board formulates and approves its own budget. The Town of Ashland does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it. The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the Town is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. Hanover County has agreed to pay the per diem rate for all prisoners of the Town, therefore, the Town made no contributions in fiscal year 2014. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation

Government-wide Statements: The Statement of Net 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 accrual basis of accounting and economic resources measurement focus. Fiduciary funds are not included in the government-wide financial statements. The Town's sole fiduciary fund is the Other Postemployment Benefits (OPEB) Trust Fund which accounts for activities of the Town's other postemployment benefits. This fund accumulates resources for health insurance for retired employees.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Budgetary Data

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

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (Continued)

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

1. On or before May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level for the General Fund and the Capital Projects fund. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Appropriations lapse on June 30 every year.
7. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30, 2014, as adopted, appropriated and legally amended.
8. The expenditure budget is enacted through an annual appropriations ordinance. If budget amendments exceed 1% of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. There was one budget amendment in the General Fund during the year that exceeded 1% of the original budget.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity

1) Deposits and Investments

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

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

2) Property Taxes

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

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

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

The Town bills and collects its own property taxes.

3) Capital Assets

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

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

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

3) Capital Assets (Continued)

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

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

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

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

4) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the State of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

5) 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.

6) 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 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

7) 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 that can be used only for specific purposes determined by a formal action of the Town’s highest level of decision-making authority. The Town Council is the highest level of decision-making authority that can, by adoption of an ordinance, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

7) Fund Equity (Continued)

- *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.

8) 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.

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.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk: The Town's investments as of June 30, 2014 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	\$ -	\$ 7,258,852	\$ -
Repurchase Agreements – Underlying:			
Mortgage securities	218,380	-	-
VML/VACO Pooled OPEB Trust	-	-	601,451
Total	\$ 218,380	\$ 7,258,852	\$ 601,451

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	\$ 218,380	\$ 218,380
Total	\$ 218,380	\$ 218,380

Interest rate risk does not apply to the Local Government Investment Pool since it is a 2a-7 like pool.

Note 3. Receivables and Unearned Revenues

Receivables at June 30, 2014 for the Town, including the allowance for uncollectible accounts, are as follows:

	General Fund
Property taxes	\$ 254,914
Other accounts	259,551
Gross receivables	514,465
Less allowance for uncollectable accounts (property taxes)	(80,802)
Net receivables	\$ 433,663

The Town determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$80,802 as of June 30, 2014.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Unearned Revenues (Continued)

Governmental funds report unavailable 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 170,601	\$ -
Advance collection of 2014 - 2015 taxes	-	6,325
Personal Property Tax Relief Act – state reimbursement	-	5,892
	<hr/>	<hr/>
Total	\$ 170,601	\$ 12,217

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	\$ 84,167
Bank stock taxes	44,674
Fines and forfeitures	17,478
Fuel recovery	1,090
Bank stock taxes	44,675
	<hr/>
	147,410
Commonwealth of Virginia:	
Mobile home titling taxes	2,931
Fire programs	3,431
Communications sales and use taxes	45,782
Automobile rental tax	11,386
Motor vehicle carriers tax	217
	<hr/>
	63,747
	<hr/>
Total General Fund	211,157
Capital Projects Fund:	
Federal government:	
Stormwater program	24,644
	<hr/>
Total Capital Projects Fund	24,644
Total due from other governments	\$ 235,801

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activities for the year ended June 30, 2014 are as follows:

	Beginning Balance July 1, 2013	Additions	Deletions	Ending Balance June 30, 2014
Primary Government:				
Capital assets, not being depreciated or amortized:				
Land	\$ 2,455,375	\$ -	\$ -	\$ 2,455,375
Construction in progress	35,325	734,478	-	769,803
Total capital assets, not being depreciated or amortized	<u>2,490,700</u>	<u>734,478</u>	<u>-</u>	<u>3,225,178</u>
Capital assets being depreciated or amortized:				
Buildings and improvements	2,408,917	11,095	-	2,420,012
Machinery and equipment	2,385,189	310,619	(22,059)	2,673,749
Infrastructure	16,925,847	-	-	16,925,847
Software	81,556	38,029	-	119,585
Total capital assets being depreciated or amortized	<u>21,801,509</u>	<u>359,743</u>	<u>(22,059)</u>	<u>22,139,193</u>
Less accumulated depreciation or amortization for:				
Buildings and improvements	(1,167,428)	(84,949)	-	(1,252,377)
Machinery and equipment	(1,743,508)	(222,279)	22,059	(1,943,728)
Infrastructure	(4,562,932)	(427,030)	-	(4,989,962)
Software	(74,166)	(6,569)	-	(80,735)
Total accumulated depreciation or amortization	<u>(7,548,034)</u>	<u>(740,827)</u>	<u>22,059</u>	<u>(8,266,802)</u>
Total capital assets being depreciated or amortized, net	<u>14,253,475</u>	<u>(381,084)</u>	<u>-</u>	<u>13,872,391</u>
Governmental activities capital assets, net	<u>\$ 16,744,175</u>	<u>\$ 353,394</u>	<u>\$ -</u>	<u>\$ 17,097,569</u>

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

Governmental activities:	
General government administration	\$ 27,461
Public safety	137,663
Public works	535,763
Parks, recreation and cultural	36,171
Community development	3,769
Total depreciation and amortization expense – governmental activities	<u>\$ 740,827</u>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 787,500
Capital Projects Fund	787,500	-
Total	<u>\$ 787,500</u>	<u>\$ 787,500</u>

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, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Government Activities:					
Compensated absences payable	\$ 289,829	\$ 351,574	\$ 313,839	\$ 327,564	\$ 32,756
Governmental activities long-term liabilities	<u>\$ 289,829</u>	<u>\$ 351,574</u>	<u>\$ 313,839</u>	<u>\$ 327,564</u>	<u>\$ 32,756</u>

At June 30, 2014, the Town had a legal debt margin of \$74,285,432.

The General Fund has been used in prior years to liquidate the liability for compensated absences.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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. 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.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid: Each plan has different eligibility and benefit structures as set out in the table below:

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership data is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none">• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none">• State employees*• School division employees• Political subdivision employees*• Judges appointed or elected to an original term on or after January 1, 2014• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none">• Members of the State Police Officers' Retirement System (SPORS)• Members of the Virginia Law Officers' Retirement System (VaLORS)• Political subdivision employees are covered by enhanced benefits for hazardous duty employees.
<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p>	<p>Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>
		<p><u>Defined Contributions Component</u> Under the defined contribution component of the plan, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p> <p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p> <p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Vesting (Continued)</p> <p><u>Defined Contributions Component (Continued)</u></p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 1/2.</p> <p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under VRS Plan 1.</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> <p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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 web site at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained 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 employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid 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 2014 was 13.26%, exclusive of the employees' share, of annual covered payroll for Plan 1 and Plan 2 employees. The Town's contribution rate for the fiscal year ended 2014 was 12.26%, exclusive of the employees' share of annual covered payroll for the Hybrid Plan.

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$391,957 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, 2012	\$ 263,809	100%	\$ -
June 30, 2013	384,408	100%	-
June 30, 2014	391,957	100%	-

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

The fiscal year 2014 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 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 77.59% funded. The actuarial accrued liability for benefits was \$12,675,247, and the actuarial value of assets was \$9,835,192, resulting in a UAAL of \$2,840,055. The covered payroll (annual payroll of active employees covered by the plan) was \$2,760,445, and ratio of the UAAL to the covered payroll was 102.88%.

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, 2014, the Town and Plan members contributed \$152,957 to the Trust Fund. Administrative expenses allocated to the Trust Fund during the fiscal year ended June 30, 2014 totaled \$1,759. The Trust Fund issues a separate report, which can be obtained by writing to VML/VACO Finance Program, 1108 East Main Street, Richmond, Virginia, 23219.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Postemployment Benefits Other Than Pensions

A. Plan Description

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

B. Funding Policy

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

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

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

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

C. Annual OPEB Cost and Net OPEB Obligation

In accordance with GASB Statement No. 45, an actuarial valuation was performed calculating the postemployment healthcare costs as of July 1, 2012. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at \$990,100 and an Annual Required Contribution (ARC) of \$119,000. The annual cost of OPEB is calculated based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The 30 year amortization period is open.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Postemployment Benefits Other Than Pensions (Continued)

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

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)	\$ 119,000
Interest on net OPEB obligation (asset)	(4,391)
Actuarial adjustment	2,010
Annual OPEB cost	<u>116,619</u>
Contributions made	<u>(152,957)</u>
Increase in net OPEB obligation (asset)	(36,338)
Net OPEB obligation (asset), beginning of year	<u>(58,550)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (94,888)</u></u>

Trend Information

Trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2012	\$ 131,000	122.2%	\$ 29,069
June 30, 2013	112,011	126.3%	58,550
June 30, 2014	116,619	131.2%	94,888

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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, general inflation rate of 3%, 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.

TOWN OF ASHLAND, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pending GASB Statements

At June 30, 2014, 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. 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. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, requires a state or local government employer (or nonemployer contributing entity in a special funding situation), to recognize a net pension liability measured as of a date (the measurement date), no earlier than the end of its prior fiscal year. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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, 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%
June 30, 2013	9,835,192	12,675,247	2,840,055	77.59%	2,760,445	102.88%

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, 2012	\$ 131,000	\$ 160,069	122.19%
June 30, 2013	112,800	141,492	125.44%
June 30, 2014	119,000	152,957	128.54%

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, 2014**

	Capital Projects Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Use of money	\$ 4,000	\$ 4,000	\$ 2,633	\$ (1,367)
Intergovernmental	-	70,000	92,081	22,081
Miscellaneous	-	345,000	345,000	-
Total revenues	4,000	419,000	439,714	20,714
Expenditures:				
Capital projects	3,174,526	3,856,982	1,137,821	(2,719,161)
Total expenditures	3,174,526	3,856,982	1,137,821	(2,719,161)
Revenues under expenditures	(3,170,526)	(3,437,982)	(698,107)	2,739,875
Other financing sources:				
Transfers in	787,500	887,500	787,500	(100,000)
Net change in fund balance	(2,383,026)	(2,550,482)	89,393	2,639,875
Fund balance, beginning	2,383,026	2,550,482	2,626,208	75,726
Fund balance, ending	\$ -	\$ -	\$ 2,715,601	\$ 2,715,601

SUPPLEMENTAL SCHEDULES

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 620,000	\$ 620,000	\$ 643,521	\$ 23,521
Real and personal public service corporation property taxes	24,500	24,500	31,113	6,613
Personal property taxes	250,000	250,000	288,417	38,417
Mobile home taxes	1,500	1,500	(196)	(1,696)
Machinery and tools taxes	20,500	20,500	26,180	5,680
Penalties	12,000	12,000	23,231	11,231
Interest	7,000	7,000	14,810	7,810
Total general property taxes	935,500	935,500	1,027,076	91,576
Other local taxes:				
Local sales and use taxes	350,000	350,000	460,355	110,355
Consumer utility taxes	115,000	115,000	127,593	12,593
Consumption taxes	38,000	38,000	39,967	1,967
Business license taxes	425,000	425,000	478,934	53,934
Motor vehicle taxes	110,000	110,000	129,015	19,015
Cigarette taxes	364,737	364,737	252,709	(112,028)
Bank stock taxes	200,000	200,000	255,722	55,722
Meals taxes	1,800,000	1,800,000	1,850,129	50,129
Transient occupancy taxes	602,000	602,000	584,443	(17,557)
Total other local taxes	4,004,737	4,004,737	4,178,867	174,130
Permits, privilege fees and regulatory licenses:				
Permits and other licenses	32,000	32,000	36,833	4,833
Fines and forfeitures	100,000	100,000	114,293	14,293
Use of money and property:				
Revenue from use of money	6,500	6,500	3,858	(2,642)
Revenue from use of property	17,000	17,000	17,028	28
Total use of money and property	23,500	23,500	20,886	(2,614)
Charges for services:				
Parks and recreation	63,500	63,500	56,855	(6,645)
Miscellaneous	5,935	5,935	51,238	45,303
Recovered costs:				
County of Hanover	19,600	19,600	15,782	(3,818)
Randolph Macon College	1,900	1,900	3,080	1,180
Other	500	500	1,101	601
Total recovered costs	22,000	22,000	19,963	(2,037)
Total revenue from local sources	5,187,172	5,187,172	5,506,011	318,839

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	\$ 6,000	\$ 6,000	\$ 11,858	\$ 5,858
Auto rental taxes	110,000	110,000	113,534	3,534
Communication sales and use taxes	275,000	275,000	274,169	(831)
Personal property tax relief	111,774	111,774	111,310	(464)
Rolling stock taxes	11,000	11,000	11,936	936
Total non-categorical aid	513,774	513,774	522,807	9,033
Categorical aid:				
DJCP law enforcement assistance	165,320	165,320	165,320	-
Fire programs	19,314	19,314	21,699	2,385
Hanover Cares strategic prevention	-	-	8,082	8,082
Street and highway maintenance	1,484,294	1,484,294	1,527,956	43,662
Total categorical aid	1,668,928	1,668,928	1,723,057	54,129
Total revenue from the Commonwealth	2,182,702	2,182,702	2,245,864	63,162
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	3,000	3,000	-	(3,000)
Litter control	3,774	3,774	3,330	(444)
Transportation safety	15,000	15,000	8,565	(6,435)
Arts grant	5,000	5,000	5,000	-
Asset forfeiture funds	-	151,682	151,681	(1)
Justice assistance grant	5,500	5,500	5,094	(406)
Total revenue from the federal government	32,274	183,956	173,670	(10,286)
Total intergovernmental revenue	2,214,976	2,366,658	2,419,534	52,876
Total General Fund	\$ 7,402,148	\$ 7,553,830	\$ 7,925,545	\$ 371,715

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 4,000	\$ 4,000	\$ 2,633	\$ (1,367)
Total revenue from use of money	4,000	4,000	2,633	(1,367)
Miscellaneous:				
Developer proffers	-	325,000	325,000	-
Miscellaneous	-	20,000	20,000	-
Total miscellaneous	-	345,000	345,000	-
Total revenue from local sources	-	345,000	345,000	-
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Safe routes to schools	-	-	32,925	32,925
DCR grant for stormwater management	-	-	11,264	11,264
DEQ grant for stormwater	-	70,000	47,892	(22,108)
Total revenue from the federal government	-	70,000	92,081	22,081
Total Capital Projects Fund	\$ 4,000	\$ 419,000	\$ 439,714	\$ 20,714
Grand Total Revenues - Primary Government	\$ 7,406,148	\$ 7,972,830	\$ 8,365,259	\$ 392,429

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 31,877	\$ 31,877	\$ 32,976	\$ 1,099
General and financial administration:				
Town manager	445,273	445,273	430,101	(15,172)
Tourism	130,288	130,288	126,130	(4,158)
Treasurer	254,406	254,406	256,657	2,251
Information technology	104,000	104,000	100,022	(3,978)
Board of elections	2,700	2,700	22	(2,678)
Total general and financial administration	936,667	936,667	912,932	(23,735)
Total general government administration	968,544	968,544	945,908	(22,636)
Public safety:				
Law enforcement and traffic control:				
Police	2,337,126	2,488,808	2,561,426	72,618
Fire and rescue services:				
Fire department	43,914	43,914	41,583	(2,331)
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	48,914	48,914	46,583	(2,331)
Total public safety	2,386,040	2,537,722	2,608,009	70,287
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/administration	687,943	687,943	694,719	6,776
Street maintenance	1,455,293	1,455,293	1,138,941	(316,352)
Storm drainage	28,000	28,000	8,291	(19,709)
Snow and ice removal	35,000	35,000	17,910	(17,090)
Traffic engineering	52,000	52,000	27,088	(24,912)
Streetlights	55,000	55,000	48,653	(6,347)
Total maintenance of highways, streets bridges and sidewalks	2,313,236	2,313,236	1,935,602	(377,634)
Sanitation and waste removal:				
Refuse collection and disposal	390,000	390,000	334,145	(55,855)
Maintenance of general buildings and grounds:				
General properties	186,826	186,826	172,877	(13,949)
Vehicle maintenance	167,494	167,494	155,228	(12,266)
Total public works	3,057,556	3,057,556	2,597,852	(459,704)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Parks, recreation and cultural:				
Supervision of parks and recreation	\$ 183,561	\$ 183,561	\$ 144,852	\$ (38,709)
Community development:				
Planning and zoning	380,691	380,691	378,180	(2,511)
Economic development	157,769	157,769	113,081	(44,688)
Total community developmen	538,460	538,460	491,261	(47,199)
Nondepartmental:				
Contribution to fund OPEB	151,256	151,256	-	(151,256)
Total General Fund	\$ 7,285,417	\$ 7,437,099	\$ 6,787,882	\$ (649,217)
Capital Projects Fund:				
Residential streets improvement program	\$ 25,000	\$ 249,833	\$ 249,634	\$ (199)
Sidewalks, curb and gutter	384,300	384,300	156,044	(228,256)
Ashland Theatre	-	100,000	7,484	(92,516)
Drainage improvements	85,497	70,101	26,020	(44,081)
Stormwater management program	50,000	75,342	28,466	(46,876)
Route 1 / Ashcake Road intersection improvements	24,592	24,592	-	(24,592)
Route 1 / Route 54 intersection improvements	450,000	450,000	-	(450,000)
Route 1 / Vitamin Shoppe Way turn	-	325,000	-	(325,000)
Railroad crossing improvements	80,000	80,000	-	(80,000)
Downtown campus maintenance fund	51,712	101,712	-	(101,712)
Public works facilities	150,000	150,000	37,422	(112,578)
SRTS - Duncan & Stebbins	417,000	436,675	51,746	(384,929)
Railroad Avenue parking lot	-	3,042	3,042	-
Public works vehicle replacement fund	317,414	302,263	118,862	(183,401)
VSMP Phase II Grant	-	70,000	52,369	(17,631)
Downtown sidewalks	345,745	374,586	302,690	(71,896)
Downtown parking	20,000	20,000	-	(20,000)
Trails	15,000	15,000	-	(15,000)
Dejarnette Park	10,000	10,000	-	(10,000)
S. Taylor Street park maintenance	15,000	15,000	1,914	(13,086)
Pool renovation	100,000	95,707	4,036	(91,671)
Economic develop incentive	50,000	50,000	-	(50,000)
Carter Park	25,000	25,000	-	(25,000)
Skateboard Park	25,000	25,000	10,197	(14,803)
APD capital expenditures	20,000	-	-	-
Pufferbelly Park maintenance	12,000	16,591	-	(16,591)
Gateway and wayfinding	157,760	157,760	1,405	(156,355)
Contingencies	131,590	128,837	3,800	(125,037)
Police vehicle replacement fund	211,916	100,641	82,690	(17,951)
Total Capital Projects Fund	\$ 3,174,526	\$ 3,856,982	\$ 1,137,821	\$ (2,719,161)
Grand Total Expenditures - Primary Governmen	\$ 10,459,943	\$ 11,294,081	\$ 7,925,703	\$ (3,368,378)

STATISTICAL SECTION

TOWN OF ASHLAND, VIRGINIA

**STATISTICAL SECTION
TABLE OF CONTENTS**

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

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and financial well being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	5 - 11
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	12 - 15
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	16 - 17
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	18 - 20

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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Invested in capital assets, net of related debt	\$ 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	17,097,569
Restricted	1,656,212	2,318,880	2,907,777	-	-	-	-	-	-	-
Unrestricted	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	7,861,122
Total governmental activities net assets	\$ 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	\$ 24,958,691

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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 648,828	\$ 703,671	\$ 822,305	\$ 1,023,605	\$ 1,080,181	\$ 1,079,252	\$ 1,144,531	\$ 989,332	\$ 967,749	\$ 974,966
Public safety	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	2,650,596
Public works	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	3,480,524
Health and welfare	-	-	-	-	-	5,950	(3,089)	-	-	-
Parks, recreation and cultural	133,377	239,301	225,253	208,075	174,949	176,640	196,264	202,295	196,080	193,899
Community development	481,643	530,371	472,345	508,235	547,544	465,452	435,808	460,829	508,743	503,721
Interest	8,796	7,552	6,575.00	5,575	4,520	3,460	2,351	751	571	-
Total governmental activities	5,482,025	5,624,439	6,454,715.00	7,049,400	7,066,710	6,962,209	7,048,125	7,434,673	7,861,026	7,803,706
Total primary government expenses	5,482,025	5,624,439	6,454,715.00	7,049,400	7,066,710	6,962,209	7,048,125	7,434,673	7,861,026	7,803,706
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	25,747	35,321	105,552	135,783	168,106	182,895	182,576	220,380	178,349	168,009
Public works	23,250	10,970	-	-	-	-	-	2,152	2,041	3,080
Parks, recreation and cultural	54,101	59,464	64,878	65,355	62,179	53,789	63,284	66,347	50,577	56,855
Operating grants and contributions	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	605,249
Capital grants and contributions	22,798	-	2,924,497	876,165	332,763	-	-	1,152,183	1,118,665	1,613,559
Total governmental activities	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	2,446,752
Total primary government program revenues	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	2,446,752
Net (expense) revenue:										
Governmental activities	(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)	(5,356,954)
Total primary government net expense	(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)	(5,356,954)

TOWN OF ASHLAND, VIRGINIA

Table 2

CHANGES IN NET POSITION/ASSETS

Page 2

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues:										
Governmental activities:										
Taxes:										
General property	\$ 664,271	\$ 674,320	\$ 824,846	\$ 713,793	\$ 1,016,610	\$ 1,112,194	\$ 960,473	\$ 925,815	\$ 1,056,984	\$ 981,908
Local sales and use	417,411	440,046	469,870	484,839	334,098	318,926	338,717	353,643	438,114	460,355
Business license	437,781	531,374	500,578	459,209	467,741	441,166	434,134	434,888	500,256	478,934
Transient occupancy	494,132	581,342	594,716	591,906	531,333	480,558	451,943	456,153	446,241	584,443
Meals	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	1,850,129
Other	868,445	987,307	745,668	747,064	750,646	1,141,773	824,267	852,914	806,048	805,006
Use of money and property	93,786	217,810	282,466	224,211	85,775	32,426	27,958	23,517	27,630	23,519
Miscellaneous	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)	75,201	563,133	396,238
Intergovernmental, non-categorical aid	217,038	218,466	27,784	209,491	210,683	195,482	486,050	517,339	521,302	522,807
Loss on disposal of capital assets	(5,280)	-	-	(132,116)	-	-	-	-	-	-
Total governmental activities	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	6,103,339
Total primary government	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	6,103,339
Changes in net position/assets:										
Governmental activities	1,093,369	2,428,995	3,282,115	722,210	322,373	323,092	101,989	50,753	319,850	746,385
Total primary government	\$ 1,093,369	\$ 2,428,995	\$ 3,282,115	\$ 722,210	\$ 322,373	\$ 323,092	\$ 101,989	\$ 50,753	\$ 319,850	\$ 746,385

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,				
	2005	2006	2007	2008	2009
General Fund:					
Unreserved	\$ 4,290,267	\$ 4,664,398	\$ 3,943,785	\$ 4,020,537	\$ 4,310,763
Total General Fund	\$ 4,290,267	\$ 4,664,398	\$ 3,943,785	\$ 4,020,537	\$ 4,310,763
All Other Governmental Funds:					
Reserved	\$ 1,656,212	\$ 2,318,880	\$ 2,907,777	\$ 2,101,370	\$ 2,127,040
Total all other governmental funds	\$ 1,656,212	\$ 2,318,880	\$ 2,907,777	\$ 2,101,370	\$ 2,127,040
	Fiscal Year June 30,				
	2010	2011	2012	2013	2014
General Fund:					
Unreserved	\$ 4,914,679	\$ -	\$ -	\$ -	\$ -
Unassigned	-	4,806,186	4,722,404	4,857,433	5,207,596
Total General Fund	\$ 4,914,679	\$ 4,806,186	\$ 4,722,404	\$ 4,857,433	\$ 5,207,596
All Other Governmental Funds:					
Reserved	\$ 2,392,999	\$ -	\$ -	\$ -	\$ -
Committed	-	1,962,268	2,407,828	2,626,208	2,715,601
Total all other governmental funds	\$ 2,392,999	\$ 1,962,268	\$ 2,407,828	\$ 2,626,208	\$ 2,715,601

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, committed, 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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
General property taxes	\$ 642,808	\$ 655,553	\$ 746,254	\$ 770,247	\$ 1,037,166	\$ 979,608	\$ 974,627	\$ 962,153	\$ 971,843	\$ 1,027,076
Other local taxes	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	4,178,867
Permits, privilege fees and regulatory licenses	23,250	10,970	30,131	46,294	60,361	47,854	37,309	58,518	46,392	36,833
Fines and forfeitures	25,747	35,321	75,421	89,489	107,745	135,041	145,267	144,895	113,461	114,293
Use of money and property	93,785	217,810	282,466	224,211	85,775	32,426	27,958	23,517	27,630	23,519
Charges for services	54,101	59,464	64,878	65,355	62,179	53,789	63,284	66,347	50,577	56,855
Miscellaneous	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)	75,201	563,133	396,238
Recovered costs	26,106	617,957.00	300,485	131,893	64,733	55,946	29,543	19,751	20,537	19,963
Intergovernmental:										
Commonwealth	1,581,375	1,578,683.00	1,646,159	1,669,652	1,766,533	1,724,707	2,090,328	2,161,129	2,191,523	2,245,864
Federal	297,070	1,205,423.00	2,937,534	884,159	376,811	47,152	24,700	87,829	105,482	265,751
Total revenues	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	8,365,259
Expenditures:										
General government administration	634,925	721,080	1,158,148	1,059,054	1,111,174	1,031,702	1,038,230	926,453	944,518	945,908
Public safety	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	2,608,009
Public works	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	2,597,852
Parks, recreation and cultural	82,707	181,026	172,933	141,123	115,135	117,621	137,974	131,565	142,935	144,852
Community development	477,828	521,458	460,483	501,435	489,879	451,049	410,881	446,579	507,332	491,261
Nondepartmental	-	-	-	-	-	-	128,400	160,069	-	-
Capital projects	721,860	1,728,983	3,771,095	2,112,901	691,337	150,646	1,361,105	524,312	1,100,272	1,137,821
Debt service:										
Principal	177,375	175,000	34,111	35,085	37,034	37,034	38,984	38,983	39,958	-
Interest and fiscal charges	10,910	40,827	6,982	5,993	4,961	3,902	2,815	1,692	571	-
Total expenditures	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	7,925,703
Revenues over (under) expenditures	382,917	1,036,798	(131,716)	(744,655)	315,896	869,875	(474,495)	361,778	353,409	439,556
Other financing sources (uses):										
Transfers in	415,000	755,000	1,128,293	250,000	350,000	410,000	901,167	966,998	705,000	787,500
Transfers out	(415,000)	(755,000)	(1,128,293)	(250,000)	(350,000)	(410,000)	(901,167)	(966,998)	(705,000)	(787,500)
Sale of capital assets	-	-	-	15,000	-	-	-	-	-	-
Total other financing sources, net	-	-	-	15,000	-	-	-	-	-	-
Net change in fund balances	\$ 382,917	\$ 1,036,798	\$ (131,716)	\$ (729,655)	\$ 315,896	\$ 869,875	\$ (474,495)	\$ 361,778	\$ 353,409	\$ 439,556

TOWN OF ASHLAND, VIRGINIA

Table 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Page 2

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 188,285	\$ 215,827	\$ 41,093	\$ 41,078	\$ 41,995	\$ 40,936	\$ 41,799	\$ 40,675	\$ 40,529	\$ -
Total expenditures	\$ 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	\$ 7,925,703
Less: capital outlay	(721,860)	(1,728,983)	(3,771,095)	(2,112,901)	(691,337)	(150,646)	(1,145,407)	(346,148)	(505,190)	(864,221)
Noncapital expenditures	\$ 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	\$ 7,061,482
Debt service as a percentage of noncapital expenditures	3.56%	3.82%	0.63%	0.61%	0.65%	0.66%	0.64%	0.60%	0.56%	0.00%

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	Totals
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
2014	989,035	460,355	127,593	39,967	-	-	478,934	129,015	255,722	252,709	584,443	1,850,129	5,167,902
Change 2005-2014	62.90%	10.29%	-57.55%	19.81%		-100.00%	9.40%	4.42%	74.21%		18.28%	16.71%	22.56%

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
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%	\$ 1.70
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%	1.70
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%	1.70
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%	1.70
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%	1.72
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%	1.72
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%	1.70
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%	1.70
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%	1.70
2014	709,453,800	54,210,340	1,834,200	1,966,935	33,400,523	47,159	800,912,957	0.28%	800,912,957	100.00%	1.70

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 and 2014.

TOWN OF ASHLAND, VIRGINIA

Table 7

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30.	Direct Tax Rates - Town					Overlapping Tax Rates - County						Tax Rates - Total Direct and Overlapping Rates					
	Real Property	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Rate	Real Property	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total Overlapping Rate	Real Property	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total
2005	\$ 0.09	\$ 0.77	\$ 0.07	\$ 0.77	\$ 1.70	\$ 0.86	\$ 3.64	\$ 0.86	\$ 3.64	\$ 1.90	\$ 10.90	\$ 0.95	\$ 4.41	\$ 0.93	\$ 4.41	\$ 1.90	\$ 12.60
2006	0.09	0.77	0.07	0.77	1.70	0.86	3.64	0.86	3.64	1.90	10.90	0.95	4.41	0.93	4.41	1.90	12.60
2007	0.09	0.77	0.07	0.77	1.70	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.88	4.34	1.90	12.36
2008	0.09	0.77	0.07	0.77	1.70	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.88	4.34	1.90	12.36
2009	0.09	0.77	0.09	0.77	1.72	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.90	4.34	1.90	12.38
2010	0.09	0.77	0.09	0.77	1.72	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.90	4.34	1.90	12.38
2011	0.09	0.77	0.07	0.77	1.70	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.88	4.34	1.90	12.36
2012	0.09	0.77	0.07	0.77	1.70	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.88	4.34	1.90	12.36
2013	0.09	0.77	0.07	0.77	1.70	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.88	4.34	1.90	12.36
2014	0.09	0.77	0.07	0.77	1.70	0.81	3.57	0.81	3.57	1.90	10.66	0.90	4.34	0.88	4.34	1.90	12.36

Notes:

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

TOWN OF ASHLAND, VIRGINIA

Table 8

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

<u>Fiscal Year June 30,</u>	<u>Transient Occupancy</u>	<u>Meals</u>	<u>Cigarette (1)</u>
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
2014	7%	5%	0.22

Note:

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

TOWN OF ASHLAND, VIRGINIA

Table 9

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

Taxpayer	Type Business	Fiscal Year June 30, 2014			Fiscal Year June 30, 2005		
		2013 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value (1)	2004 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Dominion Virginia Power	Utility	\$ 13,650,926	1	1.84%	\$ 9,057,408	3	1.81%
Ashland Hanover LLC	Shopping Center	13,631,900	2	1.84%	11,421,000	2	2.28%
Verizon Virginia, Inc.	Communications / Public Service	12,174,606	3	1.64%	19,152,056	1	3.83%
Ashland Town Square, LLC	Apartments	11,597,700	4	1.56%	7,999,900	4	1.60%
Wal-Mart Real Estate Bus. Trust	Shopping Center	10,822,400	5	1.46%	-	-	-
Sedgefield Mobile Home Associates	Mobile Home Community	10,187,500	6	1.37%	7,518,600	5	1.50%
Ashland Junction, LLC	Shopping Center	7,415,500	7	1.00%	6,500,100	7	1.30%
Ashland Hi, LLC	Commercial	6,751,000	8	0.91%	-	-	-
Concrete Pipe and Products	Commercial	5,850,300	9	0.79%	-	-	-
JL Culpepper & Company, Inc.	Commercial	5,495,700	10	0.74%	-	-	-
Total		<u>\$ 97,577,532</u>		<u>13.14%</u>	<u>\$ 61,649,064</u>		<u>12.32%</u>

Notes:

(1) Source: Commissioner of Revenue.

(2) Total real estate assessment as noted on Table 6 is \$742,854,323.

TOWN OF ASHLAND, VIRGINIA

Table 10

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

Taxpayer	Fiscal Year June 30,	
	2014 Rank	2005 Rank
Chick-Fil-A	1	-
Cracker Barrel	2	1
McDonalds #3674	3	4
McDonalds #11610	4	3
Applebees	5	15
Starbucks	6	-
Wendy's	7	8
Ponderosa	8	5
Hardees	9	9
Ruby Tuesday	10	2
Total Meals Tax for the Year	<u>\$ 1,850,129</u>	<u>\$ 1,585,208</u>

Notes:

- (1) The Meals Tax Rate was 5% for fiscal years 2014 and 2005.
- (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	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	24,845	979,402	98.41%
2011	1,102,965	1,068,780	96.90%	2,873	1,071,653	97.16%
2012	1,083,742	1,046,884	96.60%	9,673	1,056,557	97.49%
2013	1,102,865	1,040,735	94.37%	51,564	1,092,299	99.04%
2014	1,101,560	1,034,947	93.95%	-	1,034,947	93.95%

Note:

(1) Source: Commissioner of Revenue.

TOWN OF ASHLAND, VIRGINIA

Table 12

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

Fiscal Year June 30,	Governmental Activities		Total Primary Government	Percentage of Per Capita Personal Income	Net Debt Per Capita
	General Obligation Bonds				
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 fiscal year ended 2013 and 2014.

**RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
Last Eight Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Debt	Less: Debt of Hanover	Debt	Ratio of Net General Obligation Value	Gross Capita
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 fiscal year ended 2013 and 2014.

TOWN OF ASHLAND, VIRGINIA

Table 14

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2014
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Hanover, Virginia	\$ 128,401,168	5.69%	<u>\$ 7,301,945</u>
Total direct and overlapping debt			<u><u>\$ 7,301,945</u></u>

Note:

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

TOWN OF ASHLAND, VIRGINIA

Table 15

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legal debt margin	\$ 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	\$ 74,285,432
Total net debt applicable to limit	295,300	261,189	227,078	191,993	154,959	117,925	78,941	39,958	-	-
Available legal debt margin	<u>\$ 49,738,063</u>	<u>\$ 52,760,028</u>	<u>\$ 60,486,161</u>	<u>\$ 65,927,771</u>	<u>\$ 72,251,538</u>	<u>\$ 74,452,555</u>	<u>\$ 80,646,253</u>	<u>\$ 74,324,327</u>	<u>\$ 73,971,979</u>	<u>\$ 74,285,432</u>
Total net debt applicable to the limit as a percentage of debt limit	0.59%	0.49%	0.00	0.29%	0.21%	0.16%	0.10%	0.05%	0.00%	0.00%

Legal debt margin calculation for fiscal year 2014:

Assessed value of real estate	<u>\$ 742,854,323</u>
Debt limit (10% of assessed value)	\$ 74,285,432
Debt applicable to limit:	
Net direct debt outstanding	<u>-</u>
Available legal debt margin	<u>\$ 74,285,432</u>

Note:

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

TOWN OF ASHLAND, VIRGINIA

Table 16

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	2,462	1	4.7%	2,548	1	4.9%
Bon Secours Memorial Regional Medical	1,000 and over	2	3.8%	1,000 and over	2	3.9%
Paramount Kings Dominion	1,000 and over	3	3.8%	500-999	6	1.5%
County of Hanover	1,045	3	2.0%	982	3	1.9%
Tyson Foods	500-999	5	1.4%	500-999	5	1.5%
Wal-Mart Stores	500-999	6	1.4%	500-999	8	1.5%
Acosta Sales & Marketing Co.	500-999	7	1.4%	n/a	n/a	-
Supervalu	500-999	8	1.4%	500-999	4	1.5%
Sales Mark	500-999	9	1.4%	n/a	n/a	-
Randolph-Macon College	250-499	10	0.7%	500-999	7	1.5%
Culpeper Star Exponent		n/a		250-499	9	0.7%
Ukrops		n/a		250-499	10	0.7%
			<u>22.0%</u>			<u>19.6%</u>
Total County Employment (3)	<u>52,406</u>			<u>51,483</u>		

Notes:

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

TOWN OF ASHLAND, VIRGINIA

Table 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)	Unemployment Rate (5)
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%
2014	7,287	23,301	169,794,387	35.9	17,952	5.0%

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 2014, Virginia Employment Commission for 2005 through 2010.

TOWN OF ASHLAND, VIRGINIA

Table 18

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

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government administration	8	8	8	8	9	9	6	6	6	6
Public safety:										
Police department	27	28	25	28	28	24	27	27	27	27
Public works:										
Maintenance	24	24	25	24	23	22	22	22	22	23
Community development:										
Planning	6	6	6	5	5	3	5	5	5	5
Total	65	66	64	65	65	58	60	60	60	61

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 19

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

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety:										
Building inspections:										
Total building permits	109	97	87	113	131	126	101	127	103	96

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 20

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

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Vehicles	6	6	8	8	8	9	2	4	1	2
Public safety:										
Police department:										
Patrol units	21	21	22	26	28	27	33	25	28	30
Other vehicles	2	2	2	1	1	2	2	4	6	7
Public works:										
General maintenance:										
Trucks/vehicles	21	20	21.00	19	19	19	20	19	22	24
Equipment	90	98	78.00	87	86	87	28	21	17	17
Parks and recreation:										
Parks acreage	23.22	23.22	23.22	23.22	23.60	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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 26, 2014.

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
September 26, 2014