Comprehensive Annual Financial Report

Town of Ashland
VIRGINIA

Fiscal Year Ended

June 30, 2016

TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

Prepared by:

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TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2016

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INTRODUCTORY SECTION

Town of Ashland
Center of the Universe

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JAMES R. FOLEY.
MAYOR

JAMES D. MURRAY
VICE MAYOR

GEORGE F. SPAGNA, JR.
COUNCIL MEMBER

STEVEN P. TRIVETT
COUNCIL MEMBER

KATHLEEN K. ABBOTT
COUNCIL MEMBER

CHARLES W. HARTGROVE
TOWN MANAGER

ANDREA E. ERARD
TOWN ATTORNEY

JOSEPH A. COLLINS
CLERK OF COUNCIL

October 5, 2016

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

Dear Members of Town Council:

Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia for the fiscal year ended June 30, 2016, 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.

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). This 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 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 during the 2015-16 fiscal year. The number of vacant commercial and industrial properties declined slightly during the fiscal year, continuing a trend we have seen for several years now. Porvair, a filtration group based in the United Kingdom, located to the Presidential Business Center off of Hill Carter Parkway. The Dominion Resource Innovation Center, a stem-tech startup and co-working space located to a former firehouse in downtown Ashland in August of 2015, and has already surpassed their previous number of tenants. The Hanover Business Center, located at the corner of Hill Carter Parkway and Ashcake Road, has seen a significant uptick in occupancy rates also during the past fiscal year, with several more possibilities in FY 2017. While several corporate movements at the national level have impacted the Ashland market in late FY 16, we believe that this will have a very limited impact on the market as a whole.

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 business center with an emphasis on distribution and logistics hubs. This particular business center was developed as a major distribution site for a second national retailer in FY 2014 which opened in February 2015.

As mentioned previously, commercial building activity has continued to improve during FY 2016 with few new businesses occupying space in existing buildings and very little construction of new buildings. Nineteen commercial certificates of occupancy (CO's) were issued during the year, which is four less than approved in FY 2015. CO's are only necessary when a change of use in an existing building occurs or for new construction. Commercial CO's primarily came from tenant up-fits for new uses in existing buildings. Fifty-five new business licenses were approved in FY 2016. 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 area 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.

The commercial building market has continued to move at a measured pace. BetterMed, an urgent care provider based in Central Virginia, began construction on a 5,600 square foot medical center along North Washington Highway. Little Caesar's Pizza constructed a new 1,600 square foot pizza kitchen along South Washington Highway, on a previously underutilized tract of a large shopping center. Sportspage Bar & Grill, a local restaurant chain, opened a location along England Street after conducting a substantial renovation of an existing building that had previously been used as a restaurant. Fuddruckers Restaurants conducted an extensive renovation to a former restaurant space at the TA travel center located along Interstate 95. Sweet Frog Frozen Yogurt also renovated a former insurance office to operate along England Street. Additionally, several other significant building renovations for new businesses in the historic downtown district were announced or begun towards the end of the fiscal year.

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. Nineteen certificates of occupancy were issued for residential units in Ashland during the year, representing a 17 percent annual decrease in the total number of residential units compared to the previous fiscal year. 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. Of note was a rezoning by the Town Council of 286 acres on the north side of Town. The property was rezoned to light industrial uses and is one of the largest contiguous business zoned properties in the Commonwealth of Virginia.

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 FY 2002 and 2005, the Town reduced both the real property tax rate and the business and professional occupational license rate. The Town Council did increase the real property tax rate by $.02 to bring the rate to $.09 for the 2008-09 fiscal year. The Town increased the meals tax and the transient occupancy tax in 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 2016 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 GASB, 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 Economic Development Authority of the Town of Ashland is a discretely presented component unit and reported separately in the financial statements to emphasize that it is legally separate from the primary government and to differentiate its 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 U.S. Census Bureau estimates Ashland’s population to be 7,503 for 2015, a 3.8 percent increase over the 2010 Census figure of 7,225. The total population of Hanover County in 2015 was estimated by the U.S. Census Bureau to be 103,227, an increase of 4.7 percent from the 2010 Census. Ashland’s population represented approximately 7.27 percent of Hanover’s 2015 estimated population of 103,227.

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 95 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 approximately 1,200 students, and Wal-Mart (which are all located within the Town); Produce Source Partners; Acosta Sales & Marketing; 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, 2015. 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-nine consecutive years (fiscal years ended 1987 - 2015). 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

James R. Foley	Mayor
James D. Murray	Vice-Mayor

MEMBERS OF COUNCIL

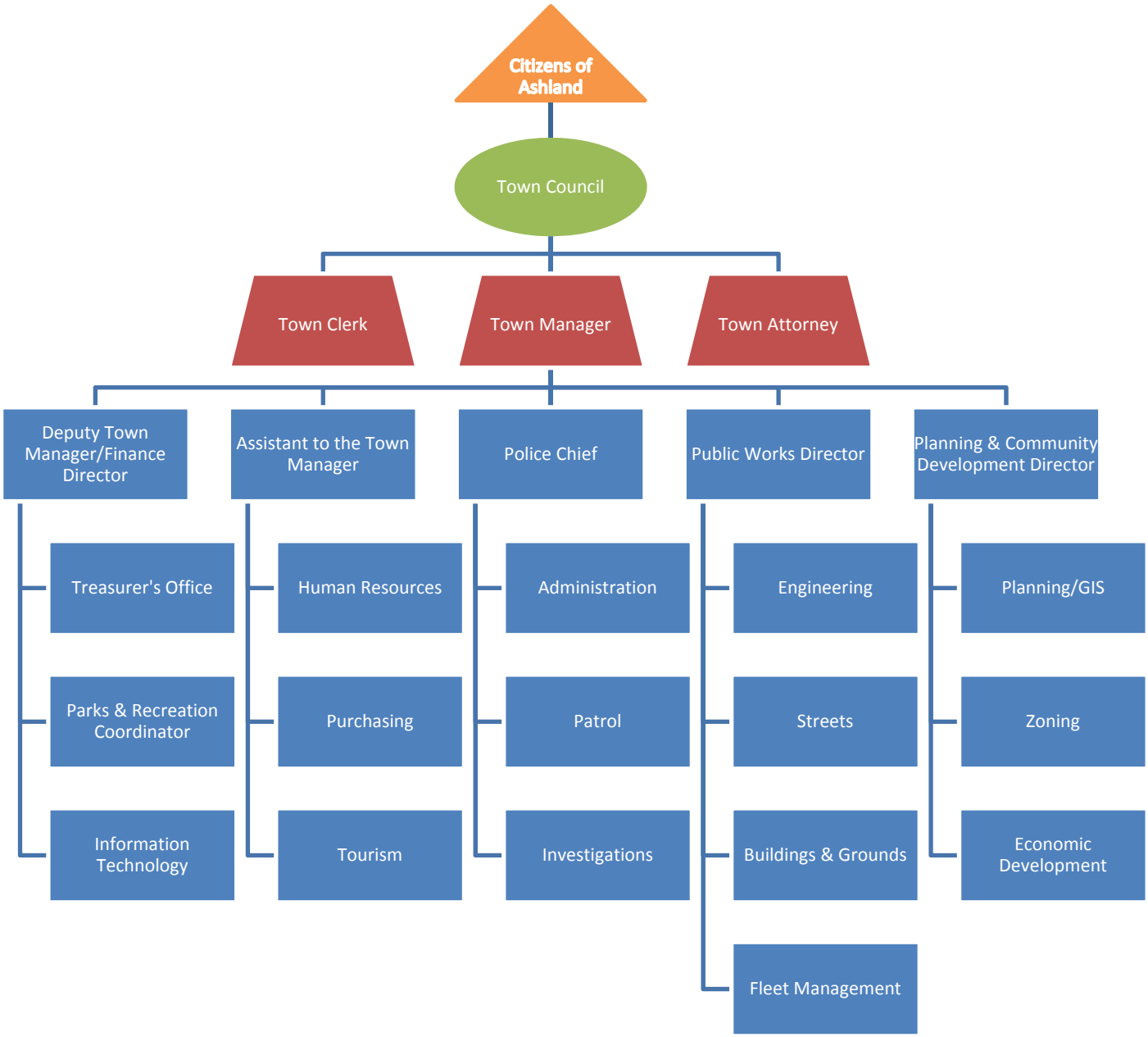
Kathleen K. Abbott	Dr. George F. Spagna	Steven P. Trivett

OTHER OFFICIALS

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

TOWN OF ASHLAND, VIRGINIA

ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ashland

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, the remaining fund information, and the budgetary comparison of the Town of Ashland, Virginia (Town), as of and for the year ended June 30, 2016, 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 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, the remaining fund information, and the budgetary comparison of the Town, as of June 30, 2016, 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 51-53, 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 were derived from and relate 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 October 5, 2016 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
October 5, 2016

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, 2016. 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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $25,517,623 (net position).

- Long-term obligations of the Town comprised of compensated absences and net pension liability decreased by $430,465 during the current fiscal year.

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 $380,910.

- As of the close of the current fiscal year, the Town's funds reported ending fund balances of $8,832,733, an increase of $380,910 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $5,510,285, or approximately 78.9% of total General Fund expenditures and other uses.

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 supplementary information, required supplementary information and supplemental schedules in addition to the basic financial statements themselves.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Net Position presents information on all of the Town's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the difference between the four 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. The government-wide financial statements are prepared on the accrual basis of accounting, whereas 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 more narrow 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 to financial statements 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 to financial statements, 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 and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $25,517,623 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, 2016 and 2015

	Governmental Activities		Increase	%
	2016	2015	(Decrease)	Change
Current and other assets	$ 9,467,985	$ 9,562,004	$ (94,019)	-1.0%
Capital assets, net	18,045,551	17,276,925	768,626	4.4%
Total assets	27,513,536	26,838,929	674,607	2.5%
Total deferred outflow of resources	414,669	398,440	16,229	4.1%
Current liabilities	324,589	852,319	(527,730)	-61.9%
Noncurrent liabilities	1,304,677	1,735,142	(430,465)	-24.8%
Total liabilities	1,629,266	2,587,461	(958,195)	-37.0%
Total deferred inflow of resources	781,316	732,082	49,234	6.7%
Net position:				
Net investment in capital assets	18,045,551	17,276,925	768,626	4.4%
Unrestricted	7,472,072	6,640,901	831,171	12.5%
Total net position	$ 25,517,623	$ 23,917,826	$ 1,599,797	6.7%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's Net Position increased by $1,599,797 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, 2016 and 2015

	Governmental Activities		Increase	%
	2016	2015	(Decrease)	Change
Revenues:				
Program revenues:				
Charges for services	$ 227,319	$ 235,629	$ (8,310)	-3.5%
Operating grants and contributions	640,232	612,856	27,376	4.5%
Capital grants and contributions	1,896,335	1,672,886	223,449	13.4%
General revenues:				
General property taxes	1,122,986	1,076,547	46,439	4.3%
Other local taxes	4,667,025	4,293,200	373,825	8.7%
Grants and contributions not restricted	485,613	491,787	(6,174)	-1.3%
Other	56,453	152,458	(96,005)	-63.0%
Total revenues	9,095,963	8,535,363	560,600	6.6%
Expenses:				
General government administration	1,003,493	1,028,107	(24,614)	-2.4%
Public safety	2,574,264	2,609,198	(34,934)	-1.3%
Public works	3,270,718	3,304,844	(34,126)	-1.0%
Parks, recreation and cultural	154,582	176,107	(21,525)	-12.2%
Community development	493,109	521,005	(27,896)	-5.4%
Total expenses	7,496,166	7,639,261	(143,095)	-1.9%
Change in net position	1,599,797	896,102	703,695	78.5%
Net Position, beginning of year	23,917,826	23,021,724	896,102	3.9%
Net Position, end of year	$ 25,517,623	$ 23,917,826	$ 1,599,797	6.7%

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 $8,832,733, an increase of $380,910 in comparison with the prior year. Increases in local tax revenue collections and capital grants and contributions contributed substantially to this addition to fund balance. Approximately 62.4% 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 $3,322,448, 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 $7,500 of unreserved fund balance and $8,500 in the public safety.

During the year, revenues exceeded budgetary estimates by $575,843. Expenditures were less than budgetary estimates by $518,927.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2016 amounted to $18,045,551 (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 $1,304,677. The Town made its final bond debt payment on August 1, 2012.

During the current fiscal year, the Town's long-term obligations decreased by $430,465. The decrease was the result of a decrease in the liability for compensated absences of $5,126 and a decrease in net pension liability in the amount of $425,339.

Additional information on the Town's long-term obligations can be found in Note 7 and Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2017 fiscal year:

- The unemployment rate for the County of Hanover, which includes the Town of Ashland, was 3.4% at June 30, 2016. The Commonwealth of Virginia's unemployment rate was 3.7% as of the same date.

- Inflationary trends in the region compare favorably to national indexes.

The fiscal year 2017 budget increased by approximately 5.0% compared to the Town’s amended budget for fiscal year 2016.

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, 2016

	Primary Government	Component Unit
	Governmental Activities	Economic Development Authority
ASSETS		
Cash and cash equivalents	$ 8,566,066	$ 264,012
Receivables, net:		
Property taxes	150,316	-
Other accounts	337,354	-
Due from other governments	251,273	-
Prepaid:		
Other postemployment benefits	162,976	-
Capital assets:		
Land	2,542,575	-
Buildings and improvements	2,447,221	-
Machinery and equipment	3,026,676	-
Infrastructure	18,696,504	-
Software	193,410	-
Construction in progress	952,366	-
Less: accumulated depreciation and amortization	(9,813,201)	-
Total assets	27,513,536	264,012
DEFERRED OUTFLOW OF RESOURCES		
Pension plan	414,669	-
LIABILITIES		
Accounts payable	111,215	-
Retainage payable	23,450	-
Accrued payroll and benefits	83,180	-
Unearned revenue	18,949	-
Performance bond payable	87,795	-
Noncurrent liabilities:		
Due within one year:		
Compensated absences	37,765	-
Due in more than one year:		
Compensated absences	339,890	-
Net pension liability	927,022	-
Total liabilities	1,629,266	-
DEFERRED INFLOW OF RESOURCES		
Pension plan	781,316	-
NET POSITION		
Net investment in capital assets	18,045,551	-
Unrestricted	7,472,072	264,012
Total net position	$ 25,517,623	$ 264,012

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
Entity/Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Economic Development Authority
Primary Government:						
Governmental activities:						
General government administration	$ 1,003,493	$ -	$ -	$ -	$ (1,003,493)	$ -
Public safety	2,574,264	164,557	209,890	4,897	(2,194,920)	-
Public works	3,270,718	3,851	415,342	1,891,438	(960,087)	-
Parks, recreation and cultural	154,582	58,911	10,000	-	(85,671)	-
Community development	493,109	-	5,000	-	(488,109)	-
Total governmental activities	7,496,166	227,319	640,232	1,896,335	(4,732,280)	-
Total primary government	$ 7,496,166	$ 227,319	$ 640,232	$ 1,896,335	(4,732,280)	-
Component Unit:						
Economic Development Authority	$ 30,466	$ -	$ 32,048	$ -	-	1,582
Total component unit	$ 30,466	$ -	$ 32,048	$ -	-	1,582
General Revenues:						
Taxes:						
General property taxes					1,122,986	-
Contributions from Primary Government					-	10,000
Other local taxes:						
Meals					2,103,102	-
Transient occupancy					650,631	-
Business license					571,835	-
Local sales and use					512,488	-
Other					828,969	-
Intergovernmental, non-categorical aid					485,613	-
Use of money and property					41,498	1,317
Miscellaneous					14,955	-
Total general revenues					6,332,077	11,317
Change in net position					1,599,797	12,899
Net position, beginning					23,917,826	251,113
Net position, ending					$ 25,517,623	$ 264,012

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	$ 5,302,242	$ 3,263,824	$ 8,566,066
Receivables, net:			
Property taxes	150,316	-	150,316
Other accounts	337,354	-	337,354
Due from other governments	150,058	101,215	251,273
Total assets	$ 5,939,970	$ 3,365,039	$ 9,305,009
LIABILITIES			
Accounts payable	$ 92,074	$ 19,141	$ 111,215
Accrued payroll and benefits	83,180	-	83,180
Performance bond payable	87,795	-	87,795
Unearned revenue	18,949	-	18,949
Retainage payable	-	23,450	23,450
Total liabilities	281,998	42,591	324,589
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	147,687	-	147,687
Total deferred inflows of resources	147,687	-	147,687
FUND BALANCES			
Committed:			
Capital projects	-	3,322,448	3,322,448
Unassigned	5,510,285	-	5,510,285
Total fund balances	5,510,285	3,322,448	8,832,733
Total liabilities, deferred inflows of resources and fund balances	$ 5,939,970	$ 3,365,039	$ 9,305,009

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

		Governmental Funds
Total fund balances - governmental funds		$ 8,832,733
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 27,858,752	
Less: accumulated depreciation and amortization	(9,813,201)	
Net capital assets		18,045,551
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		414,669
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		147,687
Other postemployment benefits (OPEB) assets (obligations) are not current financial resources and, therefore, are not reported in the governmental funds.		162,976
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Net pension liability	(927,022)	
Compensated absences	(377,655)	
		(1,304,677)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds until then.		(781,316)
Net position of governmental activities		$ 25,517,623

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	$ 1,105,818	$ -	$ 1,105,818
Other local taxes	4,667,025	-	4,667,025
Permits, privilege fees and regulatory licenses	34,097	4,335	38,432
Fines and forfeitures	125,570	-	125,570
Use of money and property	30,198	11,300	41,498
Charges for services	58,911	-	58,911
Miscellaneous	14,955	-	14,955
Recovered costs	4,406	-	4,406
Intergovernmental	2,356,683	665,497	3,022,180
Total revenues	8,397,663	681,132	9,078,795
Expenditures:			
Current:			
General government administration	1,033,711	-	1,033,711
Public safety	2,587,098	-	2,587,098
Public works	2,730,645	-	2,730,645
Parks, recreation and cultural	123,743	-	123,743
Community development	505,697	-	505,697
Capital projects	-	1,716,991	1,716,991
Total expenditures	6,980,894	1,716,991	8,697,885
Revenues over (under) expenditures	1,416,769	(1,035,859)	380,910
Other financing sources (uses):			
Transfers in (out)	(1,135,000)	1,135,000	-
Total other financing sources (uses)	(1,135,000)	1,135,000	-
Net change in fund balances	281,769	99,141	380,910
Fund balances, beginning	5,228,516	3,223,307	8,451,823
Fund balances, ending	$ 5,510,285	$ 3,322,448	$ 8,832,733

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Governmental Funds
Net change in fund balances - total governmental funds		$ 380,910
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	$ 1,628,699	
Less: depreciation and amortization expense	(868,906)	
Excess of capital outlays over depreciation and amortization		759,793
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		8,833
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		17,168
Deferred outflows of resources - pension contributions		414,669
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.		
Pension expense	(22,335)	
Compensated absences	5,126	
Other postemployment benefits	35,633	
		18,424
Change in net position of governmental activities		$ 1,599,797

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2016

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
General property taxes	$ 1,063,500	$ 1,063,500	$ 1,105,818	$ 42,318
Other local taxes	4,196,000	4,196,000	4,667,025	471,025
Permits, privilege fees and regulatory licenses	25,000	25,000	34,097	9,097
Fines and forfeitures	100,000	100,000	125,570	25,570
Use of money and property	21,300	21,300	30,198	8,898
Charges for services	55,000	55,000	58,911	3,911
Miscellaneous	21,517	21,517	14,955	(6,562)
Recovered costs	3,150	3,150	4,406	1,256
Intergovernmental	2,327,853	2,336,353	2,356,683	20,330
Total revenues	7,813,320	7,821,820	8,397,663	575,843
Expenditures:				
Current:				
General government administration	1,010,037	1,017,537	1,033,711	16,174
Public safety	2,563,606	2,572,106	2,587,098	14,992
Public works	3,090,822	3,090,822	2,730,645	(360,177)
Parks, recreation and cultural	152,066	152,066	123,743	(28,323)
Community development	531,007	531,007	505,697	(25,310)
Nondepartmental	136,283	136,283	-	(136,283)
Total expenditures	7,483,821	7,499,821	6,980,894	(518,927)
Revenues over expenditures	329,499	321,999	1,416,769	1,094,770
Other financing uses:				
Transfers out	(1,135,000)	(1,135,000)	(1,135,000)	-
Total other financing uses	(1,135,000)	(1,135,000)	(1,135,000)	-
Net change in fund balance	$ (805,501)	$ (813,001)	281,769	$ 1,094,770
Fund balance, beginning			5,228,516	
Fund balance, ending			$ 5,510,285	

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2016

	OPEB Trust Fund
ASSETS	
Cash, cash equivalents, and temporary cash investments	$ 847,728
Total assets	847,728
NET POSITION	
Restricted for other postemployment benefits (OPEB)	$ 847,728

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2016

	OPEB Trust Fund
Additions:	
Contributions:	
Employer	$ 104,500
Plan members	31,612
Total contributions	136,112
Investment income:	
From investment activities:	
Interest and dividends earned on investments	290
Net increase in fair value of investments	1,662
Total income from investment activities	1,952
Total additions	138,064
Deductions:	
Administrative fees	1,808
Benefits paid	31,612
Total deductions	33,420
Change in net position	104,644
Net position, beginning	743,084
Net position, ending	$ 847,728

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34.* Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where there is 1) fiscal dependence and a financial benefit or burden relationship, 2) a voting majority of the organization's governing body appointed by the Town Council and a financial benefit or burden relationship, or 3) a voting majority of the organization's governing body appointed by Town Council and the Town Council has the ability to impose its will on the organization.

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

Blended component units, although legally separate entities, are, in substance, part of the Town's operations and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2016. 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, 2016 as a discretely presented component unit.

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations

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

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

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

Pamunkey Regional Jail Authority: The Pamunkey Regional Jail Authority (Jail Authority) is a political subdivision of the Commonwealth of Virginia. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. Management and accountability for fiscal matters rest with the Jail Authority. The County of Hanover serves as fiscal agent for the Jail Authority; however, the board formulates and approves its own budget. The Town of Ashland does not bear any direct or indirect liabilities for the operation of the Jail Authority and has no equity interest in it. The purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for jail facilities. The participating jurisdictions have entered into a Service Agreement which is a long-term contract which regulates usage of the Jail and establishes payment terms applicable to participating jurisdictions. Under the Service Agreement, the Town is obligated to commit all of its prisoners to the Jail at a per diem rate to be determined annually by the Jail. Hanover County has agreed to pay the per diem rate for all prisoners of the Town and, therefore, the Town made no contributions in fiscal year 2016. Complete financial statements for the Jail can be obtained from the office of the Pamunkey Regional Jail Authority.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Basis of Presentation

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

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

The Town reports the following major governmental funds:

General Fund

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

Capital Projects Fund

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

The Town also reports the following fund type:

Fiduciary Fund

Fiduciary funds (trust and agency funds) account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These funds utilize the 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.

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 Statement No. 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Budgetary Data (Continued)

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

1. On or before May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level for the General Fund and the Capital Projects fund. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.

5. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

6. Appropriations lapse on June 30 every year.

7. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30, 2016, as adopted, appropriated and legally amended.

8. The expenditure budget is enacted through an annual appropriations ordinance. If budget amendments exceed 1% of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments in the General Fund during the year that exceeded 1% of the original budget.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

2) Property Taxes

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

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

The portion of the taxes receivable which is not collected within 45 days after June 30 is shown as deferred inflows of resources – unavailable 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 acquisition 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

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 only has one item that qualifies for reporting in this category. It is the employer's fiscal year 2016 Virginia Retirement System contributions and is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement 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 two types of items that qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, 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. The second item, the total of the differences between expected and actual experience and the net difference between projected and actual earnings on the Virginia Retirement System's plan investments, is only reported in the government-wide Statement of Net Position.

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 GASB Statement 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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

6) Long-Term Obligations (Continued)

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;
- *Assigned fund balance* – amounts constrained by the Town's intent but are neither restricted or committed; and
- *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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

8) Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

9) Pensions

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

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.

F. Subsequent Events

The Town has evaluated subsequent events through October 5, 2016, the date on which the financial statements were available to be issued.

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.

Note 2. Deposits and Investments (Continued)

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 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 of the *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 LGIP is reported at 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.

Credit Risk: The Town's investments as of June 30, 2016 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	$ -	$ 8,140,270	$ -
Repurchase Agreements – Underlying:			
Mortgage securities	340,539	-	-
VML/VACO Pooled OPEB Trust	-	-	847,728
Total	$ 340,539	$ 8,140,270	$ 847,728

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 Type	Fair Value	Less Than One Year
Repurchase agreements – underlying:		
Mortgage securities	$ 340,539	$ 340,539
Total	$ 340,539	$ 340,539

Interest rate risk does not apply to the LGIP since it is a 2a7-like pool.

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (continued): The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

- Repurchase agreements – underlying: mortgage securities of $340,539 are valued using significant other observable inputs (Level 2 inputs).
- VML/VACO Pooled OPEB Trust of $847,728 is valued using quoted market prices (Level 1 inputs).

Note 3. Receivables and Unearned Revenues

Receivables at June 30, 2016 for the Town, including the allowance for uncollectible accounts, are as follows:

	General Fund
Property taxes	$ 221,873
Other accounts	337,354
Gross receivables	559,227
Less allowance for uncollectable accounts (property taxes)	(71,557)
Net receivables	$ 487,670

The Town determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to $71,557 as of June 30, 2016.

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	$ 147,687	$ -
Advance collection of 2016 - 2017 taxes	-	18,949
Total	$ 147,687	$ 18,949

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	$ 86,934
Fines and forfeitures	9,369
	96,303
Commonwealth of Virginia:	
Mobile home titling taxes	930
Communications sales and use taxes	43,574
Automobile rental tax	9,251
	53,755
Total General Fund	150,058
Capital Projects Fund:	
Commonwealth of Virginia:	
Revenue sharing	101,215
Total Capital Projects Fund	101,215
Total due from other governments	$ 251,273

Note 5. Capital Assets

Capital asset activities for the year ended June 30, 2016 are as follows:

	Beginning Balance July 1, 2015	Additions	Deletions	Transfers	Ending Balance June 30, 2016
Primary Government:					
Capital assets, not being depreciated or amortized:					
Land	$ 2,542,575	$ -	$ -	$ -	$ 2,542,575
Construction in progress	557,521	1,258,308	-	(863,463)	952,366
Total capital assets, not being depreciated or amortized	3,100,096	1,258,308	-	(863,463)	3,494,941
Capital assets being depreciated or amortized:					
Buildings and improvements	2,430,821	16,400	-	-	2,447,221
Machinery and equipment	2,791,007	270,094	(34,425)	-	3,026,676
Infrastructure	17,800,366	-	-	896,138	18,696,504
Software	119,585	106,500	-	(32,675)	193,410
Total capital assets being depreciated or amortized	23,141,779	392,994	(34,425)	863,463	24,363,811
Less accumulated depreciation or amortization for:					
Buildings and improvements	1,337,500	85,943	-	-	1,423,443
Machinery and equipment	2,102,130	287,998	20,655	-	2,369,473
Infrastructure	5,438,016	471,880	-	2,178	5,912,074
Software	87,304	23,085	-	(2,178)	108,211
Total accumulated depreciation or amortization	8,964,950	868,906	20,655	-	9,813,201
Total capital assets being depreciated or amortized, net	14,176,829	(475,912)	(13,770)	863,463	14,550,610
Governmental activities capital assets, net	$ 17,276,925	$ 782,396	$ (13,770)	$ -	$ 18,045,551

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

Governmental activities:	
General government administration	$ 32,029
Public safety	193,347
Public works	605,715
Parks, recreation and cultural	34,046
Community development	3,769
Total depreciation and amortization expense – governmental activities	$ 868,906

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 1,135,000
Capital Projects Fund	1,135,000	-
Total	$ 1,135,000	$ 1,135,000

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

Note 7. Long-Term Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	$ 382,781	$ 241,896	$ 247,022	$ 377,655	$ 37,765
Governmental activities long-term liabilities	$ 382,781	$ 241,896	$ 247,022	$ 377,655	$ 37,765

At June 30, 2016, the Town had a legal debt margin of $77,873,577.

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

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. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virgini*a, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 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 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.	**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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • 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.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in 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.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members: Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution, but 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	**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.
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component** 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. **Defined Contribution Component** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component** 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. 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. **Defined Contribution Component** 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. Members are always 100% vested in the contributions that they make. 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. • 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. Distribution is not required by law until age 70 1/2.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
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. 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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1. **Defined Contribution Component** 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component** The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component** Not applicable.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Normal Retirement Age Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component** Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** Age 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component** Not applicable.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	46
Inactive members:	
Vested	12
Non-vested	16
Active elsewhere in VRS	46
Total inactive members	74
Active members	61
Total covered employees	181

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of 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.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 13.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were $414,669 and $399,899 for the years ended June 30, 2016 and 2015, respectively.

B. Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension benefits.

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2015.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in male rates of disability

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	$ 13,385,726	$ 12,033,365	$ 1,352,361
Changes for the year:			
Service cost	422,045	-	422,045
Interest	919,423	-	919,423
Difference between expected and actual experience	(664,104)	-	(664,104)
Contributions – employer	-	399,899	(399,899)
Contributions – employee	-	153,253	(153,253)
Net investment income	-	557,131	(557,131)
Benefit payments, including refunds of employee contributions	(502,233)	(502,233)	-
Administrative expense	-	(7,463)	7,463
Other changes	-	(117)	117
Net changes	175,131	600,470	(425,339)
Balances at June 30, 2015	$ 13,560,857	$ 12,633,835	$ 927,022

Note 9. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net pension liability (asset)	$ 2,835,022	$ 927,022	$ (647,315)

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

For the year ended June 30, 2016, the Town recognized pension expense of $22,335. The Town also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 461,633
Net difference between projected and actual earnings on pension plan investments	-	319,683
Employer contributions subsequent to the measurement date	414,669	-
Total	$ 414,669	$ 781,316

$414,669 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Note 9. Pension Plan (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ 328,148
2018	328,148
2019	182,366
2020	(57,346)
	$ 781,316

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, 2016, the Town and plan members contributed $136,112 to the Trust Fund. Administrative expenses allocated to the Trust Fund during the fiscal year ended June 30, 2016 totaled $1,808. The Trust Fund issues a separate report, which can be obtained by writing to VML/VACO Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

Note 11. Postemployment Benefits Other Than Pensions

A. Plan Description

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

B. Funding Policy

The contributions to the OPEB Trust Fund are established by 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.

Note 11. Postemployment Benefits Other Than Pensions (Continued)

B. Funding Policy (Continued)

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, 2015. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (UAAL) at $558,200 and an Annual Required Contribution (ARC) of $104,500. The annual cost of OPEB is calculated based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The 30 year amortization period is open.

The following table 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)	$ 104,500
Interest on net OPEB obligation (asset)	(9,550)
Actuarial adjustment	8,332
Annual OPEB cost	103,282
Contributions made	(138,915)
Increase in net OPEB obligation (asset)	(35,633)
Net OPEB obligation (asset), beginning of year	(127,343)
Net OPEB obligation (asset), end of year	$ (162,976)

Trend Information

Trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2014	$ 116,619	131.2%	$ 94,888
June 30, 2015	123,813	126.2%	127,343
June 30, 2016	103,281	134.5%	162,976

Note 11. Postemployment Benefits Other Than Pensions (Continued)

D. Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial date, the plan was 57.43% funded. The actuarial accrued liability for benefits was $1,311,200, and the actuarial value of assets was $753,000 resulting in an unfunded actuarial accrued liability of $558,200. The covered payroll (annual payroll of active employees covered by the plan) was $3,067,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.19%.

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 schedule 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% investment rate of return, general inflation rate of 3%, payroll growth of 3% per year, and health cost trend assumption for Pre-65 of 5.3% graded to 4.5% over 62 years and Post-65 of 4.9% for 2015 and 5% for 2016 then graded to 4.9% over 78 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 UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015 was 30 years.

Note 12. Pending GASB Statements

At June 30, 2016, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, the Financial Reporting Entity. Statement No. 80 will be effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

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
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%
July 1, 2015	753,000	1,311,200	558,200	57.43%	3,067,900	18.19%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percent Contributed
June 30, 2014	$ 119,000	$ 152,957	128.54%
June 30, 2015	125,500	156,268	124.52%
June 30, 2016	104,500	138,915	132.93%

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEMS

	Fiscal Year June 30,	
	2014	2015
Total Pension Liability		
Service cost	$ 370,012	$ 422,045
Interest	868,776	919,423
Differences between expected and actual experience	-	(664,104)
Benefit payments, including refunds of employee contributions	(528,309)	(502,233)
Net change in total pension liability	710,479	175,131
Total pension liability - beginning	12,675,247	13,385,726
Total pension liability - ending (a)	$ 13,385,726	$ 13,560,857
Plan Fiduciary Net Position		
Contributions - employer	$ 393,953	$ 399,899
Contributions - employee	191,125	153,253
Net investment income	1,640,891	557,131
Benefit payments, including refunds of employee contributions	(528,309)	(502,233)
Administrative expense	(8,708)	(7,463)
Other	86	(117)
Net change in plan fiduciary net position	1,689,038	600,470
Plan fiduciary net position - beginning	10,344,327	12,033,365
Plan fiduciary net position - ending (b)	$ 12,033,365	$ 12,633,835
The Town's net pension liability - ending (a) - (b)	$ 1,352,361	$ 927,022
Plan fiduciary net position as a percentage of the total pension liability	89.90%	93.16%
Covered-employee payroll	$ 3,068,170	$ 3,067,900
The Town's net pension liability as a percentage of covered-employee payroll	44.08%	30.22%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

LEOS:	NON-LEOS:
a. Update mortality table	a. Update mortality table
b. Adjustments to rates of service retirement for females	b. Decrease in rates of service retirement
c. Increase in rates of withdrawal	c. Decrease in rates of disability retirement
d. Decrease in male and female rates of disability	d. Reduce rates of salary increases by 0.25% per year

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEMS

	Fiscal Year June 30,	
	2014	2015
Contractually required contribution (CRC)	$ 393,953	$ 399,899
Contributions in relation to the CRC	393,953	399,899
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 3,068,170	$ 3,067,900
Contributions as a percentage of covered-employee payroll	12.84%	13.03%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

(4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

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, 2016

	Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Use of money	$ 3,000	$ 3,000	$ 11,300	$ 8,300
Permits, privilege fees and regulatory licenses	4,000	4,000	4,335	335
Intergovernmental	385,319	746,017	665,497	(80,520)
Total revenues	392,319	753,017	681,132	(71,885)
Expenditures:				
Capital projects	4,433,695	4,573,428	1,716,991	(2,856,437)
Total expenditures	4,433,695	4,573,428	1,716,991	(2,856,437)
Revenues under expenditures	(4,041,376)	(3,820,411)	(1,035,859)	2,784,552
Other financing sources:				
Transfers in	1,135,000	1,135,000	1,135,000	-
Net change in fund balance	(2,906,376)	(2,685,411)	99,141	2,784,552
Fund balance, beginning	2,906,376	2,685,411	3,223,307	537,896
Fund balance, ending	$ -	$ -	$ 3,322,448	$ 3,322,448

SUPPLEMENTAL SCHEDULES

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	$ 669,000	$ 669,000	$ 671,161	$ 2,161
Real and personal public service corporation property taxes	43,000	43,000	36,207	(6,793)
Personal property taxes	300,000	300,000	366,193	66,193
Mobile home taxes	1,500	1,500	1,187	(313)
Machinery and tools taxes	20,000	20,000	(199)	(20,199)
Penalties	20,000	20,000	18,947	(1,053)
Interest	10,000	10,000	12,322	2,322
Total general property taxes	1,063,500	1,063,500	1,105,818	42,318
Other local taxes:				
Local sales and use taxes	490,000	490,000	512,488	22,488
Consumer utility taxes	126,000	126,000	151,681	25,681
Consumption taxes	40,000	40,000	34,977	(5,023)
Business license taxes	500,000	500,000	571,835	71,835
Motor vehicle taxes	120,000	120,000	113,031	(6,969)
Cigarette taxes	230,000	230,000	252,903	22,903
Bank stock taxes	200,000	200,000	276,377	76,377
Meals taxes	1,900,000	1,900,000	2,103,102	203,102
Transient occupancy taxes	590,000	590,000	650,631	60,631
Total other local taxes	4,196,000	4,196,000	4,667,025	471,025
Permits, privilege fees and regulatory licenses:				
Permits and other licenses	25,000	25,000	34,097	9,097
Fines and forfeitures	100,000	100,000	125,570	25,570
Use of money and property:				
Revenue from use of money	4,000	4,000	12,565	8,565
Revenue from use of property	17,300	17,300	17,633	333
Total use of money and property	21,300	21,300	30,198	8,898
Charges for services:				
Parks and recreation	55,000	55,000	58,911	3,911
Miscellaneous	21,517	21,517	14,955	(6,562)
Recovered costs:				
Randolph Macon College	2,000	2,000	3,851	1,851
Other	1,150	1,150	555	(595)
Total recovered costs	3,150	3,150	4,406	1,256
Total revenue from local sources	5,485,467	5,485,467	6,040,980	555,513

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	$ 6,700	$ 6,700	$ 2,145	$ (4,555)
Auto rental taxes	110,000	110,000	96,637	(13,363)
Communication sales and use taxes	282,000	282,000	263,578	(18,422)
Personal property tax relief	111,310	111,310	111,774	464
Rolling stock taxes	11,400	11,400	11,479	79
Total non-categorical aid	521,410	521,410	485,613	(35,797)
Categorical aid:				
DJCP law enforcement assistance	165,320	165,320	165,320	-
Fire programs	22,000	22,000	22,899	899
Litter control	3,325	3,325	3,361	36
Arts grant	5,000	5,000	5,000	-
Street and highway maintenance	1,584,298	1,584,298	1,647,922	63,624
VML insurance safety	-	-	2,000	2,000
Total categorical aid	1,779,943	1,779,943	1,846,502	66,559
Total revenue from the Commonwealth	2,301,353	2,301,353	2,332,115	30,762
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	3,000	3,000	-	(3,000)
Transportation safety	19,000	19,000	11,691	(7,309)
Local law enforcement block grant	4,500	4,500	4,897	397
DCJS training grant	-	8,500	7,980	(520)
Total revenue from the federal government	26,500	35,000	24,568	(10,432)
Total intergovernmental revenue	2,327,853	2,336,353	2,356,683	20,330
Total General Fund	$ 7,813,320	$ 7,821,820	$ 8,397,663	$ 575,843

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	$ 3,000	$ 3,000	$ 11,300	$ 8,300
Total revenue from use of money	3,000	3,000	11,300	8,300
Permits, privilege fees and regulatory licenses:				
Stormwater management permits	4,000	4,000	4,335	335
Total permits, privilege fees and regulatory licenses	4,000	4,000	4,335	335
Total revenue from local sources	7,000	7,000	15,635	8,635
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VDOT revenue sharing	316,800	326,013	241,953	(84,060)
Stormwater local assistance	-	157,500	163,384	5,884
Stormwater best management practices	-	(2,664)	22,266	24,930
Tourism grant	-	-	10,000	10,000
Total categorical aid	316,800	480,849	437,603	(43,246)
Total revenue from the Commonwealth	316,800	480,849	437,603	(43,246)
Revenue from the federal government:				
Categorical aid:				
Safe routes to schools	-	122,619	105,346	(17,273)
National fish and wildlife grant	68,519	142,549	122,548	(20,001)
Total revenue from the federal government	68,519	265,168	227,894	(37,274)
Total intergovernmental revenue	385,319	746,017	665,497	(80,520)
Total Capital Projects Fund	$ 392,319	$ 753,017	$ 681,132	$ (71,885)
Grand Total Revenues - Primary Government	$ 8,205,639	$ 8,574,837	$ 9,078,795	$ 503,958

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council	$ 38,553	$ 38,553	$ 35,814	$ (2,739)
General and financial administration:				
Town manager	462,120	462,120	489,291	27,171
Tourism	132,663	140,163	136,200	(3,963)
Treasurer	259,201	259,201	245,007	(14,194)
Information technology	116,000	116,000	127,399	11,399
Board of elections	1,500	1,500	-	(1,500)
Total general and financial administration	971,484	978,984	997,897	18,913
Total general government administration	1,010,037	1,017,537	1,033,711	16,174
Public safety:				
Law enforcement and traffic control:				
Police	2,531,606	2,540,106	2,554,199	14,093
Fire and rescue services:				
Fire department	27,000	27,000	27,899	899
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	32,000	32,000	32,899	899
Total public safety	2,563,606	2,572,106	2,587,098	14,992
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/administration	711,702	711,702	732,116	20,414
Street maintenance	1,616,913	1,616,913	1,429,725	(187,188)
Storm drainage	43,000	43,000	20,913	(22,087)
Snow and ice removal	43,500	43,500	46,291	2,791
Traffic engineering	52,000	52,000	21,947	(30,053)
Streetlights	56,000	56,000	48,051	(7,949)
Total maintenance of highways, streets, bridges and sidewalks	2,523,115	2,523,115	2,299,043	(224,072)
Sanitation and waste removal:				
Refuse collection and disposal	216,000	216,000	186,318	(29,682)
Maintenance of general buildings and grounds:				
General properties	196,872	196,872	132,406	(64,466)
Vehicle maintenance	154,835	154,835	112,878	(41,957)
Total public works	3,090,822	3,090,822	2,730,645	(360,177)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

Entity, Fund, Function, Activity and Elements	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Primary Government:				
General Fund:				
Parks, recreation and cultural:				
Supervision of parks and recreation	$ 152,066	$ 152,066	$ 123,743	$ (28,323)
Community development:				
Planning and zoning	390,569	390,569	393,632	3,063
Economic development	140,438	140,438	112,065	(28,373)
Total community development	531,007	531,007	505,697	(25,310)
Nondepartmental:				
Contribution to fund OPEB	136,283	136,283	-	(136,283)
Total General Fund	$ 7,483,821	$ 7,499,821	$ 6,980,894	$ (518,927)
Capital Projects Fund:				
Residential streets improvement program	$ 50,199	$ 50,199	$ -	$ (50,199)
Sidewalks and curbing	503,256	503,256	334,426	(168,830)
Ashland Theatre	517,516	532,801	8,110	(524,691)
Drainage improvements	94,081	93,081	-	(93,081)
Stormwater management program	121,876	127,055	-	(127,055)
Route 1 / Route 54 intersection improvements	450,000	450,000	-	(450,000)
Downtown campus maintenance	51,712	52,310	60,377	8,067
Public works facilities	101,769	123,892	16,400	(107,492)
Ashland PD parking lot / mechumps ck. rehab	226,019	299,393	309,852	10,459
SRTS - Duncan & Stebbins	-	11,995	-	(11,995)
Public works vehicle replacement	329,077	329,077	123,853	(205,224)
Route 1 / Vitamin Shoppe Way intersection improvements	633,600	649,354	504,684	(144,670)
Downtown sidewalks	401,896	415,028	193,648	(221,380)
Trails	10,000	10,000	-	(10,000)
Dejarnette Park	5,000	5,000	-	(5,000)
DEQ best management practices	-	(20,205)	4,725	24,930
S. Taylor Street park maintenance	8,086	7,033	-	(7,033)
Pool renovation	290,964	228,480	44,011	(184,469)
Economic develop incentive	100,000	100,000	-	(100,000)
Carter Park	12,207	20,707	-	(20,707)
Skateboard Park	9,803	9,803	-	(9,803)
Pufferbelly Park maintenance	11,591	16,591	-	(16,591)
Gateway and wayfinding	106,355	156,355	17,602	(138,753)
Contingencies	128,737	131,737	-	(131,737)
Police vehicle replacement	109,951	110,486	94,315	(16,171)
Ashland PD capital	20,000	20,000	-	(20,000)
Police Department building maintenance	15,000	15,000	4,988	(10,012)
Broadband / Fiber Optics	125,000	125,000	-	(125,000)
Total Capital Projects Fund	$ 4,433,695	$ 4,573,428	$ 1,716,991	$ (2,856,437)
Grand Total Expenditures - Primary Government	$ 11,917,516	$ 12,073,249	$ 8,697,885	$ (3,375,364)

STATISTICAL SECTION

TOWN OF ASHLAND, VIRGINIA

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

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
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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
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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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	$ 15,626,765	$ 17,135,185	$ 17,202,531	$ 16,675,804	$ 17,152,529	$ 16,895,598	$ 16,744,175	$ 17,097,569	$ 17,276,925	$ 18,045,551
Restricted	2,907,777	-	-	-	-	-	-	-	-	-
Unrestricted	3,851,573	5,973,141	6,228,168	7,077,987	6,689,174	6,996,858	7,468,131	7,861,122	6,640,901	7,472,072
Total governmental activities net assets	$ 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 (1)	$ 23,917,826	$ 25,517,623

Note:

(1) June 30, 2014 net position was restated for the implementation of GASB Statements No. 68 and 71 which reduced net position by $1,936,967.

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government:										
Expenses:										
Governmental activities:										
General government administration	$ 822,305	$ 1,023,605	$ 1,080,181	$ 1,079,252	$ 1,144,531	$ 989,332	$ 967,749	$ 974,966	$ 1,028,107	$ 1,003,493
Public safety	2,225,167	2,262,606	2,334,043	2,315,497	2,395,351	2,413,532	2,410,269	2,650,596	2,609,198	2,574,264
Public works	2,703,070	3,041,304	2,925,473	2,915,958	2,876,909	3,367,934	3,777,614	3,480,524	3,304,844	3,270,718
Health and welfare	-	-	-	5,950	(3,089)	-	-	-	-	-
Parks, recreation and cultural	225,253	208,075	174,949	176,640	196,264	202,295	196,080	193,899	176,107	154,582
Community development	472,345	508,235	547,544	465,452	435,808	460,829	508,743	503,721	521,005	493,109
Interest	6,575	5,575	4,520	3,460	2,351	751	571	-	-	-
Total governmental activities	6,454,715	7,049,400	7,066,710	6,962,209	7,048,125	7,434,673	7,861,026	7,803,706	7,639,261	7,496,166
Total primary government expenses	6,454,715	7,049,400	7,066,710	6,962,209	7,048,125	7,434,673	7,861,026	7,803,706	7,639,261	7,496,166
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	105,552	135,783	168,106	182,895	182,576	220,380	178,349	168,009	180,092	164,557
Public works	-	-	-	-	-	2,152	2,041	3,080	1,644	3,851
Parks, recreation and cultural	64,878	65,355	62,179	53,789	63,284	66,347	50,577	56,855	53,893	58,911
Operating grants and contributions	1,431,412	1,468,155	1,599,898	1,576,377	1,628,978	580,068	657,038	605,249	612,856	640,232
Capital grants and contributions	2,924,497	876,165	332,763	-	-	1,152,183	1,118,665	1,613,559	1,672,886	1,896,335
Total governmental activities	4,526,339	2,545,458	2,162,946	1,813,061	1,874,838	2,021,130	2,006,670	2,446,752	2,521,371	2,763,886
Total primary government program revenues	4,526,339	2,545,458	2,162,946	1,813,061	1,874,838	2,021,130	2,006,670	2,446,752	2,521,371	2,763,886
Net (expense) revenue:										
Governmental activities	(1,928,376)	(4,503,942)	(4,903,764)	(5,149,148)	(5,173,287)	(5,413,543)	(5,854,356)	(5,356,954)	(5,117,890)	(4,732,280)
Total primary government net expense	(1,928,376)	(4,503,942)	(4,903,764)	(5,149,148)	(5,173,287)	(5,413,543)	(5,854,356)	(5,356,954)	(5,117,890)	(4,732,280)

TOWN OF ASHLAND, VIRGINIA

Table 2
Page 2

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

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues:										
Governmental activities:										
Taxes:										
General property	$ 824,846	$ 713,793	$ 1,016,610	$ 1,112,194	$ 960,473	$ 925,815	$ 1,056,984	$ 981,908	$ 1,076,547	$ 1,122,986
Local sales and use	469,870	484,839	334,098	318,926	338,717	353,643	438,114	460,355	489,115	512,488
Business license	500,578	459,209	467,741	441,166	434,134	434,888	500,256	478,934	465,772	571,835
Transient occupancy	594,716	591,906	531,333	480,558	451,943	456,153	446,241	584,443	609,619	650,631
Meals	1,750,879	1,884,529	1,815,232	1,764,723	1,769,105	1,824,826	1,814,498	1,850,129	1,945,952	2,103,102
Other	745,668	747,064	750,646	1,141,773	824,267	852,914	806,048	805,006	782,742	828,969
Use of money and property	282,466	224,211	85,775	32,426	27,958	23,517	27,630	23,519	25,428	41,498
Miscellaneous	13,684	43,226	14,019	(15,008)	(17,371)	75,201	563,133	396,238	127,030	14,955
Intergovernmental, non-categorical aid	27,784	209,491	210,683	195,482	486,050	517,339	521,302	522,807	491,787	485,613
Loss on disposal of capital assets	-	(132,116)	-	-	-	-	-	-	-	-
Total governmental activities	5,210,491	5,226,152	5,226,137	5,472,240	5,275,276	5,464,296	6,174,206	6,103,339	6,013,992	6,332,077
Total primary government	5,210,491	5,226,152	5,226,137	5,472,240	5,275,276	5,464,296	6,174,206	6,103,339	6,013,992	6,332,077
Changes in net position/assets:										
Governmental activities	3,282,115	722,210	322,373	323,092	101,989	50,753	319,850	746,385	896,102	1,599,797
Total primary government	$ 3,282,115	$ 722,210	$ 322,373	$ 323,092	$ 101,989	$ 50,753	$ 319,850	$ 746,385	$ 896,102	$ 1,599,797

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,				
	2007	2008	2009	2010	2011
General Fund:					
Unreserved	$ 3,943,785	$ 4,020,537	$ 4,310,763	$ 4,914,679	$ -
Unassigned	-	-	-	-	4,806,186
Total General Fund	$ 3,943,785	$ 4,020,537	$ 4,310,763	$ 4,914,679	$ 4,806,186
All Other Governmental Funds:					
Reserved	$ 2,907,777	$ 2,101,370	$ 2,127,040	$ 2,392,999	$ -
Committed	-	-	-	-	1,962,268
Total all other governmental funds	$ 2,907,777	$ 2,101,370	$ 2,127,040	$ 2,392,999	$ 1,962,268

	Fiscal Year June 30,				
	2012	2013	2014	2015	2016
General Fund:					
Unreserved	$ -	$ -	$ -	$ -	$ -
Unassigned	4,722,404	4,857,433	5,207,596	5,228,516	5,510,285
Total General Fund	$ 4,722,404	$ 4,857,433	$ 5,207,596	$ 5,228,516	$ 5,510,285
All Other Governmental Funds:					
Reserved	$ -	$ -	$ -	$ -	$ -
Committed	2,407,828	2,626,208	2,715,601	3,223,307	3,322,448
Total all other governmental funds	$ 2,407,828	$ 2,626,208	$ 2,715,601	$ 3,223,307	$ 3,322,448

Note:

(1) In fiscal year 2011, the Town implemented GASB Statement No. 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General property taxes	$ 746,254	$ 770,247	$ 1,037,166	$ 979,608	$ 974,627	$ 962,153	$ 971,843	$ 1,027,076	$ 1,116,629	$ 1,105,818
Other local taxes	4,061,711	4,167,547	3,899,050	4,147,146	3,818,166	3,922,424	4,005,157	4,178,867	4,293,200	4,667,025
Permits, privilege fees and regulatory licenses	30,131	46,294	60,361	47,854	37,309	58,518	46,392	36,833	43,851	38,432
Fines and forfeitures	75,421	89,489	107,745	135,041	145,267	144,895	113,461	114,293	123,379	125,570
Use of money and property	282,466	224,211	85,775	32,426	27,958	23,517	27,630	23,519	25,428	41,498
Charges for services	64,878	65,355	62,179	53,789	63,284	66,347	50,577	56,855	53,893	58,911
Miscellaneous	13,684	43,226	14,019	(15,008)	(17,371)	75,201	563,133	396,238	127,030	14,955
Recovered costs	300,485	131,893	64,733	55,946	29,543	19,751	20,537	19,963	14,506	4,406
Intergovernmental:										
Commonwealth	1,646,159	1,669,652	1,766,533	1,724,707	2,090,328	2,161,129	2,191,523	2,245,864	2,301,495	2,769,718
Federal	2,937,534	884,159	376,811	47,152	24,700	87,829	105,482	265,751	388,834	252,462
Total revenues	10,158,723	8,092,073	7,474,372	7,208,661	7,193,811	7,521,764	8,095,735	8,365,259	8,488,245	9,078,795
Expenditures:										
General government administration	1,158,148	1,059,054	1,111,174	1,031,702	1,038,230	926,453	944,518	945,908	1,039,415	1,033,711
Public safety	2,238,848	2,260,400	2,222,091	2,188,271	2,184,073	2,253,606	2,318,596	2,608,009	2,577,099	2,587,098
Public works	2,447,839	2,720,737	2,486,865	2,358,561	2,365,844	2,676,727	2,688,144	2,597,852	2,800,297	2,730,645
Parks, recreation and cultural	172,933	141,123	115,135	117,621	137,974	131,565	142,935	144,852	143,928	123,743
Community development	460,483	501,435	489,879	451,049	410,881	446,579	507,332	491,261	494,581	505,697
Nondepartmental	-	-	-	-	128,400	160,069	-	-	-	-
Capital projects	3,771,095	2,112,901	691,337	150,646	1,361,105	524,312	1,100,272	1,137,821	904,299	1,716,991
Debt service:										
Principal	34,111	35,085	37,034	37,034	38,984	38,983	39,958	-	-	-
Interest and fiscal charges	6,982	5,993	4,961	3,902	2,815	1,692	571	-	-	-
Total expenditures	10,290,439	8,836,728	7,158,476	6,338,786	7,668,306	7,159,986	7,742,326	7,925,703	7,959,619	8,697,885
Revenues over (under) expenditures	(131,716)	(744,655)	315,896	869,875	(474,495)	361,778	353,409	439,556	528,626	380,910
Other financing sources (uses):										
Transfers in	1,128,293	250,000	350,000	410,000	901,167	966,998	705,000	787,500	1,005,408	1,135,000
Transfers out	(1,128,293)	(250,000)	(350,000)	(410,000)	(901,167)	(966,998)	(705,000)	(787,500)	(1,005,408)	(1,135,000)
Sale of capital assets	-	15,000	-	-	-	-	-	-	-	-
Total other financing sources, net	-	15,000	-	-	-	-	-	-	-	-
Net change in fund balances	$ (131,716)	$ (729,655)	$ 315,896	$ 869,875	$ (474,495)	$ 361,778	$ 353,409	$ 439,556	$ 528,626	$ 380,910

TOWN OF ASHLAND, VIRGINIA

Table 4
Page 2

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

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt service as a percentage of noncapital expenditures:										
Total debt service	$ 41,093	$ 41,078	$ 41,995	$ 40,936	$ 41,799	$ 40,675	$ 40,529	$ -	$ -	$ -
Total expenditures	$ 10,290,439	$ 8,836,728	$ 7,158,476	$ 6,338,786	$ 7,668,306	$ 7,159,986	$ 7,742,326	$ 7,925,703	$ 7,959,619	$ 8,697,885
Less: capital outlay	(3,771,095)	(2,112,901)	(691,337)	(150,646)	(1,145,407)	(346,148)	(505,190)	(864,221)	(881,368)	(1,628,699)
Noncapital expenditures	$ 6,519,344	$ 6,723,827	$ 6,467,139	$ 6,188,140	$ 6,522,899	$ 6,813,838	$ 7,237,136	$ 7,061,482	$ 7,078,251	$ 7,069,186
Debt service as a percentage of noncapital expenditures	0.63%	0.61%	0.65%	0.66%	0.64%	0.60%	0.56%	0.00%	0.00%	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
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
2015	1,082,166	489,115	139,098	47,471	-	-	465,772	122,891	239,065	234,217	609,619	1,945,952	5,375,366
2016	1,074,549	512,488	151,681	34,977	-	-	571,835	113,031	276,377	252,903	650,631	2,103,102	5,741,574
Change 2007-2016	49.21%	9.07%	-34.66%	-7.27%	-100.00%	-100.00%	14.23%	-26.07%	87.12%	100.00%	9.40%	20.12%	20.07%

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
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
2015	728,714,300	66,026,805	2,120,935	3,568,060	46,684,917	42,521	847,157,538	5.77%	847,157,538	100.00%	1.70
2016	738,808,300	67,632,225	1,910,545	2,732,370	39,927,467	29,593	851,040,500	0.46%	851,040,500	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, 2010 and 2014.

TOWN OF ASHLAND, VIRGINIA

Table 7

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

	Direct Tax Rates - Town					Overlapping Tax Rates - County						Tax Rates - Total Direct and Overlapping Rates					
Fiscal Year June 30,	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
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
2015	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
2016	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)

Fiscal Year June 30,	Transient Occupancy	Meals	Cigarette (1)
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
2015	7%	5%	0.22
2016	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)

		Fiscal Year June 30, 2016			Fiscal Year June 30, 2007		
Taxpayer	Type Business	2015 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value (1)	2006 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
CLF Ashland, LLC	Distribution Center	$ 16,490,200	1	2.12%	$ -		
Virginia Electric & Power Company	Utility	15,919,364	2	2.04%	8,790,712	4	1.45%
Verizon Virginia, Inc.	Communications / Public Service	15,291,941	3	1.96%	13,714,069	1	2.26%
Ashland Hanover LLC	Shopping Center	13,716,500	4	1.76%	10,630,000	2	1.75%
Ashland Town Square, LLC	Apartments	13,035,100	5	1.67%	9,029,700	3	1.49%
Wal-Mart Real Estate Bus. Trust	Shopping Center	10,822,400	6	1.39%	9,356,600	8	1.54%
Sedgefield Mobile Home Associates	Mobile Home Community	10,187,500	7	1.31%	7,518,600	7	1.24%
Ashland Junction, LLC	Shopping Center	7,415,500	8	0.95%	8,203,600	6	1.35%
Ashland Hi, LLC	Commercial	6,751,000	9	0.87%	4,927,200	9	0.81%
J.L. Culpepper & Co., Inc.	Commercial	5,495,700	10	0.71%	-		
Total		$ 115,125,205		14.78%	$ 72,170,481		11.89%

Notes:

(1) Source: Commissioner of Revenue.

(2) Total real estate assessment as noted on Table 6 is $778,735,767.

TOWN OF ASHLAND, VIRGINIA

Table 10

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

Taxpayer	Fiscal Year June 30, 2016 Rank	2007 Rank
Chick-Fil-A	1	-
Cracker Barrel	2	1
McDonalds #3674	3	5
McDonalds #11611	4	2
Applebee's	5	3
Starbuck's	6	-
El Azteca	7	16
Ironhorse	8	11
Hardees	9	9
Ponderosa	10	3
Total Meals Tax	$ 2,083,031	$ 1,710,576

Notes:

(1) The Meals Tax Rate was 5% for fiscal years 2016 and 2007.

(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)

		Collected Within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year June 30,	Taxes Levied	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2007	$ 841,484	$ 832,168	98.89%	$ 9,316	$ 841,484	100.00%
2008	876,360	834,557	95.23%	6,731	841,288	96.00%
2009	1,020,768	1,010,261	98.97%	10,507	1,020,768	100.00%
2010	995,263	954,557	95.91%	25,946	980,503	98.52%
2011	1,102,965	1,068,780	96.90%	7,833	1,076,613	97.61%
2012	1,083,742	1,046,884	96.60%	16,850	1,063,734	98.15%
2013	1,102,865	1,040,735	94.37%	62,130	1,102,865	100.00%
2014	1,101,560	1,034,947	93.95%	34,100	1,069,047	97.05%
2015	1,234,382	1,124,746	91.12%	29,681	1,154,427	93.52%
2016	1,249,733	1,180,570	94.47%	-	1,180,570	94.47%

Note:

(1) Source: Commissioner of Revenue.

TOWN OF ASHLAND, VIRGINIA

Table 12

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

Fiscal Year June 30,	Governmental Activities General Obligation Bonds	Total Primary Government	Percentage of Per Capita Personal Income	Net Debt Per Capita
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
2013	-	-	0.00%	-
2014	-	-	0.00%	-
2015	-	-	0.00%	-
2016	-	-	0.00%	-

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 for fiscal years ended 2013 through 2016.

TOWN OF ASHLAND, VIRGINIA

Table 13

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

Fiscal Year June 30,	Gross Bonded Debt	Less: Debt of Hanover	Town Debt	Ratio of Net General Obligation Debt to Assessed Value	Gross Bonded Debt Per Capita
2007	$ 1,165,000	$ 937,922	$ 227,078	0.03%	$ 142
2008	985,000	793,007	191,993	0.02%	120
2009	795,000	640,041	154,959	0.02%	97
2010	605,000	487,075	117,925	0.01%	74
2011	405,000	326,059	78,941	0.01%	45
2012	205,000	165,042	39,958	0.01%	23
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-

Notes:

(1) Population and personal income data can be found in Table 17.

(2) See Table 6 for property value data.

(3) There was no General Obligation Debt outstanding for fiscal years ended 2013 through 2016.

TOWN OF ASHLAND, VIRGINIA

Table 14

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2016
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Hanover, Virginia	$ 116,589,659	5.90%	$ 6,878,790
Total direct and overlapping debt			$ 6,878,790

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Legal debt margin	$ 60,713,239	$ 66,119,764	$ 72,406,497	$ 74,570,480	$ 80,725,194	$ 74,364,285	$ 73,971,979	$ 74,285,432	$ 77,539,922	$ 77,873,577
Total net debt applicable to limit	227,078	191,993	154,959	117,925	78,941	39,958	-	-	-	-
Available legal debt margin	$ 60,486,161	$ 65,927,771	$ 72,251,538	$ 74,452,555	$ 80,646,253	$ 74,324,327	$ 73,971,979	$ 74,285,432	$ 77,539,922	$ 77,873,577
Total net debt applicable to the limit as a percentage of debt limit	0.37%	0.29%	0.21%	0.16%	0.10%	0.05%	0.00%	0.00%	0.00%	0.00%

Legal debt margin calculation for fiscal year 2016:

Assessed value of real estate	$ 778,735,767
Debt limit (10% of assessed value)	$ 77,873,577
Debt applicable to limit:	
Net direct debt outstanding	-
Available legal debt margin	$ 77,873,577

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)

	2016			2007		
Employer	Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Hanover County Schools	2,438	1	4.5%	2,673	1	5.0%
Bon Secours Memorial Regional Medical	1,000 and over	2	3.7%	1,000 and over	3	3.7%
County of Hanover	1,048	3	3.7%	1,043	4	2.0%
Wal-Mart Stores	500-999	3	1.4%	500-999	7	1.4%
Tyson Foods	500-999	5	1.4%	500-999	8	1.4%
Kings Dominion	500-999	6	1.4%	500-999	2	
Acosta Sales & Marketing Co.	500-999	7	1.4%		n/a	
Supervalu Distribution Center(2015)/Richfood(2006)	500-999	8	1.4%	500-999	5	1.4%
Sales Mark	250-499	9	1.4%	500-999	n/a	1.4%
Randolph-Macon College	250-499	10	0.7%	500-999	6	1.4%
Culpeper Star Exponent		n/a		250-499	9	0.7%
AMF Bowling Companies		n/a		250-499	10	0.7%
			21.0%			19.1%
Total County Employment (3)	54,303			53,357		

Notes:

(1) Sources: County and Schools employment levels provided by the Hanover County Department of Finance and Management Services, Budget Division. Other data provided by the Virginia Employment Commission (VEC). Data unique to the Town is not available and as noted above, has been provided by the County of Hanover.

(2) Employment ranges for the private sector are as published by the VEC to ensure confidentiality. Percentages are based on the midpoint of the employment range.

(3) VEC Annual not Seasonally Adjusted Labor Force.

TOWN OF ASHLAND, VIRGINIA

Table 17

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Year	(1) Population	(1) Per Capita Personal Income	(2) Personal Income	Median Age (3)	County of Hanover School Enrollment (4)	County of Hanover Unemployment Rate (5)
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%
2015	7,503	22,684	170,198,052	35.0	17,734	4.4%
2016	7,503	23,273	174,617,319	34.8	17,776	3.4%

Notes:

(1) United States Bureau of the Census.

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

(3) County of Hanover's planning department.

(4) Hanover County School Board.

(5) U.S. Bureau of Labor Statistics for 2011 through 2016, Virginia Employment Commission for 2007 through 2010.

TOWN OF ASHLAND, VIRGINIA

Table 18

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

	Fiscal Year June 30,									
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government administration	8	8	9	9	6	6	6	6	6	6
Public safety:										
Police department	25	28	28	24	27	27	27	27	28	28
Public works:										
Maintenance	25	24	23	22	22	22	22	23	23	24
Community development:										
Planning	6	5	5	3	5	5	5	5	5	5
Total	64	65	65	58	60	60	60	61	62	63

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 19

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

	Fiscal Year June 30,									
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety:										
Building inspections:										
Total building permits	87	113	131	126	101	127	103	96	133	171

Note:

(1) Source: Individual Town departments.

TOWN OF ASHLAND, VIRGINIA

Table 20

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

	Fiscal Year June 30,									
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Vehicles	8	8	8	9	2	4	1	2	3	3
Public safety:										
Police department:										
Patrol units	22	26	28	27	33	25	28	30	29	25
Other vehicles	2	1	1	2	2	4	6	7	8	10
Public works:										
General maintenance:										
Trucks/vehicles	21.00	19	19	19	20	19	22	24	25	28
Equipment	78.00	87	86	87	28	21	17	17	18	18
Parks and recreation:										
Parks acreage	23.22	23.22	23.60	23.60	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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 5, 2016.

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
October 5, 2016