Comprehensive Annual Financial Report

Town of Ashland
VIRGINIA

Fiscal Year Ended

June 30, 2018

TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Prepared by:

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TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018

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INTRODUCTORY SECTION

Town of Ashland
Center of the Universe

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P.O. BOX 1600
ASHLAND, VIRGINIA 23005-4600

TELEPHONE (804) 798-9219
FAX (804) 798-4892

JAMES R. FOLEY. MAYOR

STEVEN P. TRIVETT VICE MAYOR

GEORGE F. SPAGNA, JR. COUNCIL MEMBER

KATHLEEN K. ABBOTT COUNCIL MEMBER

JOHN H. HODGES COUNCIL MEMBER

JOSHUA S. FARRAR TOWN MANAGER

ANDREA E. ERARD TOWN ATTORNEY

JOSEPH A. COLLINS CLERK OF COUNCIL

January 9, 2019

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, 2018, 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 the Other Postemployment Benefits Trust Fund. 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 these 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). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

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 estimated Ashland's population to be 7,649 for 2017, a 15.6 percent increase over the 2010 Census figure of 6,619. The total population of Hanover County in 2018 was estimated by the Hanover County Planning Department to be 110,250, an increase of 1.4 percent from the 2017 estimate. Ashland's population represented approximately 7.0 percent of Hanover's 2017 estimated population of 108,706.

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 1980s and 1990s 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 and its School Board; Randolph-Macon College, a private coeducational college of approximately 1,200 students, and Walmart (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 by the Hanover Airpark, just south of Ashland, the City of Richmond, and Henrico County.

Significant Local Events

Economic activity in the Town of Ashland remained robust in FY2018, tracking closely with modest gains seen across the wider Richmond region. The commercial real estate market experienced another year of increased occupancy; with several of the largest office and retail spaces posting their lowest vacancy rates in four years. Two high profile development projects along Route 54, as well as a new hotel development project just underway at the Interstate 95 interchange, are the most visible signs of growth. All three projects involve the redevelopment of previously underutilized spaces. The Downtown district continues to demonstrate strong sales and occupancy figures. The Town expects increased visitor traffic in downtown from outside the immediate area due to the opening of the Ashland Theatre in early 2019.

Two national retail construction projects began in FY2018 along the England Street/Route 54 corridor. Both a Wawa station at Route 1 and Route 54, and a Panera Bread restaurant between Cottage Green and Carter Road were under construction at the close of the fiscal year. These projects are expected to add a total of 80 jobs when fully operational upon construction completion in December 2018. The Food Lion store relocated from the Junction Drive Shopping Center to the Ashland-Hanover Shopping Center in October of 2017. This move created a vacancy of approximately 36,000 square feet in the former shopping center which has yet to be filled. Overall occupancy rates remain strong (above 93 percent) in both Ashland-Hanover and Ashland Town Center.

Shopping Centers	**Total SF**	**Available SF**	**Occupancy**
Ashland - Hanover	218,000	14,000	94%
Ashland Junction	141,700	45,736	68%
Ashland Town Center	58,036	2,500	96%
Total	417,736	62,236	85%

Additional capacity for restaurant space in Ashland remained limited throughout FY2018 with virtually none on the market outside of two national franchise sites. The only sites available are a former Ruby Tuesday and a former Burger King; both of which show signs of activity for FY2019. The late June addition of a 48 room Red Roof Inn at the site of the former Red Carpet Inn (originally 87 rooms) was the only significant change in a year of limited hotel activity. This addition brings the total of available hotel rooms in Ashland to 759, down from 798 in FY 2017. While there is a decrease in available rooms, this trend is considered as a positive sign as older, dilapidated hotels are closing or renovating while newer hotels are thriving.

The market for industrial and office space remained strong in Town. The Hanover Business Center, Ashland's largest business park, has just 9,666 square feet available for lease for an occupancy rate of just under 95 percent – the highest percentage seen in the past four years. In FY2018, Penske Leasing began construction of a 14,820 square foot facility at the corner of Junction Drive and Hill-Carter Parkway to serve their Richmond-area truck leasing operations. Once fully operational, this facility is expected to employ 20 locally-based employees.

Commercial building activity was minimal during FY2018, with several new businesses occupying space in existing buildings and few new buildings coming online. Nineteen commercial certificates of occupancy (COs) were issued during the year, an improvement of six as compared to FY2017. COs are only necessary when a change of use in an existing building occurs or for new construction, and FY2018's Commercial CO figure primarily came from tenant up-fits for new uses in existing buildings.

Forty new business licenses were approved in FY2018, an improvement of two from FY2017. Commercial activity remained steady in the downtown area with any closures being replaced by new businesses. Demand remains high for available space.

Most residential construction consisted of new homes on infill lots. Ten certificates of occupancy were issued for residential units during the year, which is eight less than approved in FY17. The 148 lot Lauradell Subdivision is expected to begin construction in FY19. Hanover County continues to cluster residential development immediately around the Town to the north and east.

Prospects for the Future

As the national economy remains strong, and with our regional economy reflecting many of the same patterns, we expect to see continued growth in the Town over the next year. Growth opportunities are available with sufficient space available for redevelopment around the Interstate 95 interchange, as well as the undeveloped Holland-Axselle property, and East Ashland. Regardless of whether these sites are developed in the near term, existing businesses and industries are positioned to provide sufficient growth over the coming year to continue the trend of positive overall activity.

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.

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.

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, 2017. 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 thirty-one consecutive years (fiscal years ended 1987 - 2017). 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
Town Manager

TOWN OF ASHLAND, VIRGINIA

Directory of Principal Officials

OFFICIALS

Steve Trivett	Mayor
John Hodges	Vice-Mayor

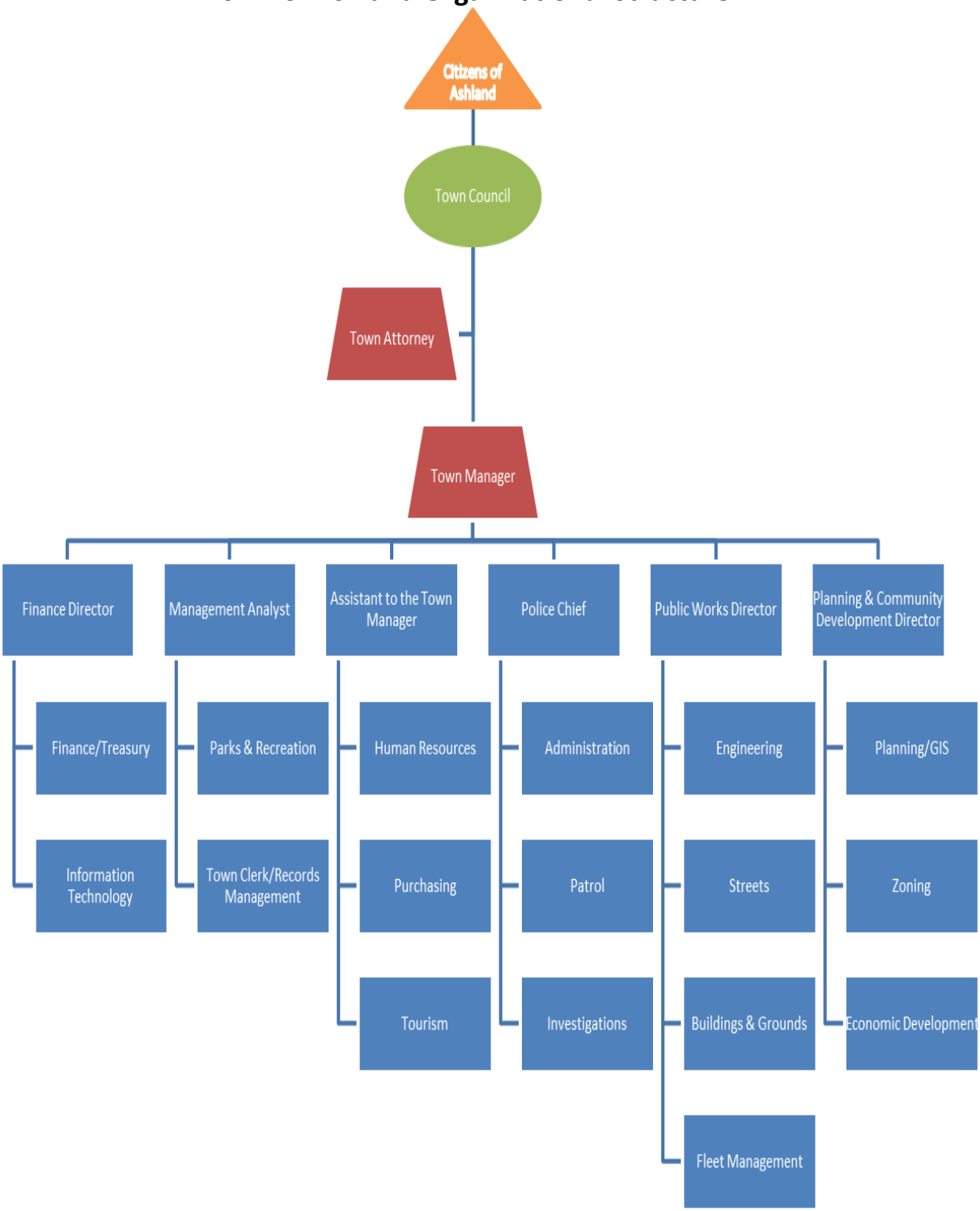
MEMBERS OF COUNCIL

Kathleen K. Abbott	Dr. George F. Spagna	Daniel McGraw

OTHER OFFICIALS

Joshua S. Farrar	Town Manager
Joseph A. Collins	Clerk of the Council
Andrea G. Erard	Town Attorney

Town of Ashland Organizational Structure



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, 2017

Christopher P. Morrill

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 General Fund of the Town of Ashland, Virginia (Town), as of and for the year ended June 30, 2018, 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, and the remaining fund information of the Town, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 15 to the financial statements, the Town restated beginning net position for governmental activities in order to record the liability for other postemployment benefits and related components in accordance with the implementation of GASB Statement No. 75.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and 64-73, 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 January 2, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
January 2, 2019

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, 2018. 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 $26,905,188 (net position).

- Long-term obligations of the Town comprised primarily of compensated absences, net pension liability and net other postemployment benefits liability increased by $344,162 during the current fiscal year.

Fund Financial Statements

The governmental funds, on a current financial resource basis, reported revenues and other financing sources less than expenditures and other financing uses by $360,864.

- As of the close of the current fiscal year, the Town's funds reported ending fund balances of $8,840,718, a decrease of $360,864 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $5,195,695, or approximately 56.3% 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 outflows of resources exceeded liabilities and deferred inflows of resources by $26,905,188 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, 2018 and 2017

	Governmental Activities		Increase	%
	2018	2017	(Decrease)	Change
Current and other assets	**$ 9,634,658**	$ 10,061,390	$ (426,732)	(4.2%)
Capital assets, net	**20,109,355**	18,752,219	1,357,136	7.2%
Total assets	**29,744,013**	28,813,609	930,404	3.2%
Total deferred outflows of resources	**403,397**	660,687	(257,290)	(38.9%)
Current liabilities	**628,321**	464,679	163,642	35.2%
Noncurrent liabilities	**2,246,400**	1,902,238	344,162	18.1%
Total liabilities	**2,874,721**	2,366,917	507,804	21.5%
Total deferred inflows of resources	**367,501**	267,547	99,954	37.4%
Net position:				
Net investment in capital assets	**20,109,355**	18,752,219	1,357,136	7.2%
Unrestricted	**6,795,833**	8,087,613	(1,291,780)	(16.0%)
Total net position	**$ 26,905,188**	$ 26,839,832	$ 65,356	0.2%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's Net Position increased by $1,476,858 during the current fiscal year. This increase is largely due to increases in local tax revenue collections and a favorable variance between budgeted and actual expenditures in the Town's General Fund and Capital Projects Fund. The following table summarizes the Town's Statements of Changes in Net Position:

Summary Statements of Changes in Net Position
Years Ended June 30, 2018 and 2017

	Governmental Activities		Increase	%
	2018	2017	(Decrease)	Change
Revenues:				
Program revenues:				
Charges for services	**$ 219,306**	$ 226,257	$ (6,951)	(3.1%)
Operating grants and contributions	**1,027,265**	654,146	373,119	57.0%
Capital grants and contributions	**1,507,468**	1,537,045	(29,577)	(1.9%)
General revenues:				
General property taxes	**1,286,830**	1,281,426	5,404	0.4%
Other local taxes	**4,868,638**	4,774,790	93,848	2.0%
Grants and contributions not restricted	**469,203**	492,071	(22,868)	(4.6%)
Other	**174,941**	141,862	33,079	23.3%
Total revenues	**9,553,651**	9,107,597	446,054	4.9%
Expenses:				
General government administration	**1,233,279**	1,043,210	190,069	18.2%
Public safety	**2,624,360**	2,741,517	(117,157)	(4.3%)
Public works	**3,493,673**	3,226,822	266,851	8.3%
Parks, recreation and cultural	**182,363**	187,282	(4,919)	(2.6%)
Community development	**543,118**	586,557	(43,439)	(7.4%)
Total expenses	**8,076,793**	7,785,388	291,405	3.7%
Change in net position	**1,476,858**	1,322,209	154,649	11.7%
Net Position, beginning, as restated*	**25,428,330**	25,517,623	(89,293)	(0.3%)
Net Position, ending	**$ 26,905,188**	$ 26,839,832	$ 65,356	0.2%

* Beginning net position in fiscal year 2018 was restated for the implementation of GASB Statement No. 75.

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 $8,840,718, a decrease of $360,864 in comparison with the prior year. A midyear budget amendment to account for lobbying activities increased expenditures, and a number of large capital projects began in the fiscal year which depleted available funds. Approximately 58.8% 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 $3,645,023, 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 $23,500 of miscellaneous revenue, additional General government and Public Safety expenditures of $77,000 and $13,500, respectively, and $235,000 of unreserved fund balance to transfer to the Capital Projects Fund.

During the year, revenues exceeded budgetary estimates by $275,458. This was primarily in the areas of meals and lodging taxes where growth exceeded budgetary expectations. Expenditures were less than budgetary estimates by $397,047. This is largely attributable to personnel vacancies in the public works department.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2018 amounted to $20,109,355 (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 $2,246,400.

During the current fiscal year, the Town's long-term obligations increased by $344,162. The increase was the result of an increase in the net other postemployment benefits liability of $1,058,446. This increase was offset by a decrease in the liability for compensated absences in the amount of $45,676 and a decrease in the net pension liability of $630,924.

Additional information on the Town's long-term obligations can be found in Notes 7 and 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 2019 fiscal year:

- The unemployment rate for the County of Hanover, which includes the Town of Ashland, was 2.9% at June 30, 2018. The Commonwealth of Virginia's unemployment rate was 3.3% as of the same date.

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

The fiscal year 2019 budget increased by approximately 8.8% compared to the Town's amended budget for fiscal year 2018. The increase is largely attributable to the expected issuance of $8,900,000 in debt to build a new Town Hall and renovate the existing town pool. These expenditures are funded through a one cent increase to the real estate tax rate, and one percent increases to the meals and transient occupancy tax rates.

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, 2018

	Primary Government	Component Unit
	Governmental Activities	Economic Development Authority
ASSETS		
Cash and cash equivalents	$ 7,636,383	$ 275,322
Investments	1,009,651	-
Receivables, net:		
Property taxes	214,224	-
Other accounts	328,609	-
Due from other governments	445,791	-
Capital assets:		
Land	2,542,575	-
Buildings and improvements	2,484,695	-
Machinery and equipment	3,153,502	-
Infrastructure	20,211,213	-
Software	193,410	-
Construction in progress	2,529,549	-
Less: accumulated depreciation and amortization	(11,005,589)	-
Total assets	29,744,013	275,322
DEFERRED OUTFLOWS OF RESOURCES		
Other postemployment benefit plans	17,454	-
Pension plan	385,943	-
Total deferred outflows of resources	403,397	-
LIABILITIES		
Accounts and deposits payable	413,633	-
Accrued payroll and benefits	101,340	-
Unearned revenue	19,224	-
Performance bond payable	56,440	-
Noncurrent liabilities:		
Due within one year:		
Compensated absences	37,684	-
Due in more than one year:		
Compensated absences	339,160	-
Net other postemployment benefits liability	1,058,446	-
Net pension liability	848,794	-
Total liabilities	2,874,721	-
DEFERRED INFLOWS OF RESOURCES		
Other postemployment benefit plans	57,403	-
Pension plan	310,098	-
Total deferred inflows of resources	367,501	-
NET POSITION		
Net investment in capital assets	20,109,355	-
Unrestricted	6,795,833	275,322
Total net position	$ 26,905,188	$ 275,322

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Entity/Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Economic Development Authority
Primary Government:						
Governmental activities:						
General government administration	$ 1,233,279	$ -	$ -	$ -	$ (1,233,279)	$ -
Public safety	2,624,360	125,364	205,292	23,658	(2,270,046)	-
Public works	3,493,673	23,217	787,973	1,145,616	(1,536,867)	-
Parks, recreation and cultural	182,363	70,725	-	-	(111,638)	-
Community development	543,118	-	34,000	338,194	(170,924)	-
Total governmental activities	8,076,793	219,306	1,027,265	1,507,468	(5,322,754)	-
Total primary government	$ 8,076,793	$ 219,306	$ 1,027,265	$ 1,507,468	(5,322,754)	-
Component Unit:						
Economic Development Authority	$ 20,286	$ -	$ 11,491	$ -	-	(8,795)
Total component unit	$ 20,286	$ -	$ 11,491	$ -	-	(8,795)
General Revenues:						
Taxes:						
General property taxes					1,286,830	-
Contributions from Primary Government					-	10,000
Other local taxes:						
Meals					2,211,273	-
Transient occupancy					710,034	-
Business license					533,639	-
Local sales and use					556,749	-
Other					856,943	-
Intergovernmental, non-categorical aid					469,203	-
Use of money and property					123,987	1,349
Miscellaneous					50,954	-
Total general revenues					6,799,612	11,349
Change in net position					1,476,858	2,554
Net Position, beginning, as restated					25,428,330	272,768
Net Position, ending					$ 26,905,188	$ 275,322

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	$ 4,046,597	$ 3,589,786	$ 7,636,383
Investments	1,009,651	-	1,009,651
Receivables, net:			
Property taxes	214,224	-	214,224
Other accounts	320,684	7,925	328,609
Due from other governments	153,161	292,630	445,791
Total assets	$ 5,744,317	$ 3,890,341	$ 9,634,658
LIABILITIES			
Accounts and deposits payable	$ 168,315	$ 245,318	$ 413,633
Accrued payroll and benefits	101,340	-	101,340
Performance bonds payable	56,440	-	56,440
Unearned revenue	19,224	-	19,224
Total liabilities	345,319	245,318	590,637
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	203,303	-	203,303
Total deferred inflows of resources	203,303	-	203,303
FUND BALANCES			
Committed:			
Capital projects	-	3,645,023	3,645,023
Unassigned	5,195,695	-	5,195,695
Total fund balances	5,195,695	3,645,023	8,840,718
Total liabilities, deferred inflows of resources and fund balances	$ 5,744,317	$ 3,890,341	$ 9,634,658

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, 2018

		Governmental Funds
Total fund balances - governmental funds		$ 8,840,718
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	$ 31,114,944	
Less: accumulated depreciation and amortization	(11,005,589)	
Net capital assets		20,109,355
Deferred outflows of resources - pension plan and other postemployment plans represent a consumption of net position that applies to a future period and is not recognized as deferred outflows of resources in the governmental funds.		403,397
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		203,303
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Net other postemployment benefits liability	(1,058,446)	
Net pension liability	(848,794)	
Compensated absences	(376,844)	
		(2,284,084)
Deferred inflows of resources - pension plan and other postemployment plans represent an acquisition of net position that applies to a future period and is not recognized as deferred inflows of resources in the governmental funds.		(367,501)
Net position of governmental activities		$ 26,905,188

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	$ 1,268,412	$ -	$ 1,268,412
Other local taxes	4,868,638	-	4,868,638
Permits, privilege fees and regulatory licenses	27,813	5,813	33,626
Fines and forfeitures	91,173	-	91,173
Use of money and property	73,522	50,465	123,987
Charges for services	70,725	-	70,725
Miscellaneous	117,159	-	117,159
Recovered costs	3,357	20,425	23,782
Intergovernmental	2,441,430	562,506	3,003,936
Total revenues	8,962,229	639,209	9,601,438
Expenditures:			
Current:			
General government administration	1,226,121	-	1,226,121
Public safety	2,729,370	-	2,729,370
Public works	3,123,426	-	3,123,426
Parks, recreation and cultural	149,799	-	149,799
Community development	581,561	-	581,561
Capital projects	-	2,152,025	2,152,025
Total expenditures	7,810,277	2,152,025	9,962,302
Revenues over (under) expenditures	1,151,952	(1,512,816)	(360,864)
Other financing sources (uses):			
Transfers in (out)	(1,414,276)	1,414,276	-
Total other financing sources (uses)	(1,414,276)	1,414,276	-
Net change in fund balances	(262,324)	(98,540)	(360,864)
Fund balances, beginning	5,458,019	3,743,563	9,201,582
Fund balances, ending	$ 5,195,695	$ 3,645,023	$ 8,840,718

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, 2018

		Governmental Funds
Net change in fund balances - total governmental funds		$ (360,864)
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	$ 2,306,292	
Less: depreciation and amortization expense	(893,884)	
Excess of capital outlays over depreciation and amortization		1,412,408
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to decrease net position		(55,272)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		18,418
Deferred outflows of resources - pension and OPEB plan contributions subsequent to measurement date		356,231
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.		
OPEB expense	85,409	
Pension expense	(25,148)	
Compensated absences	45,676	
		105,937
Change in net position of governmental activities		$ 1,476,858

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, 2018

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
General property taxes	$ 1,240,300	$ 1,240,300	$ 1,268,412	$ 28,112
Other local taxes	4,716,000	4,716,000	4,868,638	152,638
Permits, privilege fees and regulatory licenses	25,500	25,500	27,813	2,313
Fines and forfeitures	100,000	100,000	91,173	(8,827)
Use of money and property	37,773	37,773	73,522	35,749
Charges for services	70,250	70,250	70,725	475
Miscellaneous	28,350	51,850	117,159	65,309
Recovered costs	2,450	2,450	3,357	907
Intergovernmental	2,442,648	2,442,648	2,441,430	(1,218)
Total revenues	8,663,271	8,686,771	8,962,229	275,458
Expenditures:				
Current:				
General government administration	1,162,474	1,239,474	1,226,121	(13,353)
Public safety	2,693,161	2,706,661	2,729,370	22,709
Public works	3,362,116	3,362,116	3,123,426	(238,690)
Parks, recreation and cultural	161,917	161,917	149,799	(12,118)
Community development	578,956	578,956	581,561	2,605
Nondepartmental	158,200	158,200	-	(158,200)
Total expenditures	8,116,824	8,207,324	7,810,277	(397,047)
Revenues over expenditures	546,447	479,447	1,151,952	672,505
Other financing uses:				
Transfers out	(1,179,276)	(1,414,276)	(1,414,276)	-
Total other financing uses	(1,179,276)	(1,414,276)	(1,414,276)	-
Net change in fund balance	$ (632,829)	$ (934,829)	(262,324)	$ 672,505
Fund balance, beginning			5,458,019	
Fund balance, ending			$ 5,195,695	

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2018

	OPEB Trust Fund
ASSETS	
Cash, cash equivalents, and temporary cash investments	$ 1,296,268
Total assets	1,296,268
NET POSITION	
Restricted for other postemployment benefits (OPEB)	$ 1,296,268

See Notes to Financial Statements.

TOWN OF ASHLAND, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2018

	OPEB Trust Fund
Additions:	
Contributions:	
Employer	$ 115,200
Plan members	39,105
Total contributions	154,305
Investment income:	
From investment activities:	
Interest and dividends earned on investments	473
Net increase in fair value of investments	109,064
Total income from investment activities	109,537
Total additions	263,842
Deductions:	
Administrative fees	1,770
Benefits paid	39,105
Total deductions	40,875
Change in net position	222,967
Net position, beginning	1,073,301
Net position, ending	$ 1,296,268

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, 2018. 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, 2018 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 2018. 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, 2018, as adopted, appropriated and legally amended.

8) The expenditure budget is enacted through an annual appropriations ordinance. If budget amendments exceed 1% of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. There was one budget amendment during the year that exceeded 1% of the original budget.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

1) Deposits and Investments

Cash and Cash Equivalents

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 has short-term investments classified as cash and cash equivalents consisting of investments in a local government investment pool which is reported at amortized cost.

Investments

The Town participates in an extended maturity local government external investment pool which is reported at fair value in accordance with GASB Statement No. 72 and is classified as investments.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (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 will not be recognized as an outflow of resources (expenditure) until then. The Town has several items that qualify for reporting in this category and they relate to the pension plan and other postemployment benefits (OPEB) plans. See Notes 9, 11, and 12 for details regarding these items.

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 several 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 remaining items relate to the pension plan and OPEB plans. See Notes 9, 11, and 12 for details regarding these items.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (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 Balance

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (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.

10) Other Postemployment Benefits (OPEB)

Retiree Healthcare Plan

The Town of Ashland Retiree Healthcare Plan (TARHP) is an agent multiple employer plan administered by the Town. Experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is five years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average remaining service life for all active and inactive members.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the TARHP and additions to/deductions from TARHP's fiduciary net position have been determined on the same basis as they are reported by TARHP. For this purpose, TARHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

10) Other Postemployment Benefits (OPEB) (Continued)

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of the Town. For purposes of measuring the total GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 January 2, 2019, the date on which the financial statements were available to be issued. See Note 16 for additional detail.

Note 2. Deposits and Investments

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

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the 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 Town's investments in the LGIP, totaling $6,266,340, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poors. The maturity of the LGIP is less than one year. The Town also has investments in an LGIP Extended Maturity portfolio, totaling $1,009,651, which is stated at fair value and classified as investments. The LGIP Extended Maturity has been assigned an "AAAf/S1" rating by Standard & Poor's. The maturity of the LGIP Extended Maturity is greater 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.

The Town participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The Trust Fund issues a separate audited financial report, which can be obtained at https://valocalfinance.org/opeb or by writing to VML/VACO, 8 East Canal Street, Richmond, Virginia 23219.

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.

Note 2. Deposits and Investments (Continued)

Investment Type	Fair Value	1 - 5 Years
LGIP Extended Maturity	$ 1,009,651	$ 1,009,651
Total	$ 1,009,651	$ 1,009,651

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, 2018:

- LGIP Extended Maturity of $1,009,651 are valued using quoted market prices (Level 1 input).
- Investments held by the VML/VACO Pooled OPEB Trust. Refer to the Trust Fund's separate financial report for further information and required disclosures.

Note 3. Receivables, Unavailable and Unearned Revenues

Receivables at June 30, 2018 for the Town, including the allowance for uncollectible accounts, are as follows:

	General Fund
Property taxes	$ 282,576
Other accounts	320,684
Gross receivables	603,260
Less allowance for uncollectable accounts (property taxes)	(68,352)
Net receivables	$ 534,908

The Town determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to $68,352 as of June 30, 2018.

Note 3. Receivables, Unavailable and Unearned Revenues (Continued)

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

	Unavailable	Unearned
Delinquent property taxes receivable	$ 203,303	$ -
Prepaid 2018-2019 taxes	-	19,224
	$ 203,303	$ 19,224

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	$ 98,445
Fines and forfeitures	6,013
	104,458
Commonwealth of Virginia:	
Motor vehicle carriers' tax	155
Communications sales and use taxes	40,091
Automobile rental tax	8,457
	48,703
Total General Fund	153,161
Capital Projects Fund:	
Commonwealth of Virginia:	
DHCD Industrial Revitalization	69,974
Stormwater Local Assistance Fund	111,230
Stormwater Management Fees	196
Federal government:	
Categorical aid:	
National Fish & Wildlife Grant	111,230
Total Capital Projects Fund	292,630
Total due from other governments	$ 445,791

Note 5. Capital Assets

Capital asset activities for the year ended June 30, 2018 are as follows:

	Beginning Balance July 1, 2017	Additions	Deletions	Transfers	Ending Balance June 30, 2018
Primary Government:					
Capital assets not being depreciated or amortized:					
Land	$ 2,542,575	$ -	$ -	$ -	$ 2,542,575
Construction in progress	1,041,526	1,720,045	-	(232,022)	2,529,549
Total capital assets not being depreciated or amortized	3,584,101	1,720,045	-	(232,022)	5,072,124
Capital assets being depreciated or amortized:					
Buildings and improvements	2,447,221	17,617	(75,642)	95,499	2,484,695
Machinery and equipment	3,015,626	382,783	(244,907)	-	3,153,502
Infrastructure	19,888,843	185,847	-	136,523	20,211,213
Software	193,410	-	-	-	193,410
Total capital assets being depreciated or amortized	25,545,100	586,247	(320,549)	232,022	26,042,820
Less accumulated depreciation or amortization for:					
Buildings and improvements	(1,502,458)	(76,850)	36,870	-	(1,542,438)
Machinery and equipment	(2,336,510)	(289,867)	228,407	-	(2,397,970)
Infrastructure	(6,408,503)	(505,867)	-	-	(6,914,370)
Software	(129,511)	(21,300)	-	-	(150,811)
Total accumulated depreciation or amortization	(10,376,982)	(893,884)	265,277	-	(11,005,589)
Total capital assets being depreciated or amortized, net	15,168,118	(307,637)	(55,272)	232,022	15,037,231
Governmental activities capital assets, net	$ 18,752,219	$ 1,412,408	$ (55,272)	$ -	$ 20,109,355

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

Governmental activities:	
General government administration	$ 27,239
Public safety	145,691
Public works	684,717
Parks, recreation and cultural	30,260
Community development	5,977
Total depreciation and amortization expense - governmental activities	$ 893,884

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 1,414,276
Capital Projects Fund	1,414,276	-
Total	$ 1,414,276	$ 1,414,276

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, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	$ 422,520	$ 83,639	$ (129,315)	$ 376,844	$ 37,684
Governmental activities long-term liabilities	$ 422,520	$ 83,639	$ (129,315)	$ 376,844	$ 37,684

At June 30, 2018, the Town had a legal debt margin of $83,397,766.

The General Fund has been used in prior years to liquidate the liabilities for compensated absences, pension and other postemployment benefits.

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.	**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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • 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.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		About the Hybrid Retirement Plan (Continued) • 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.
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 and they have not taken a refund. **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.	**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. **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.	**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.

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. 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.	**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 70½.

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** 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).	**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
Cost-of-Living Adjustment (COLA) in Retirement (Continued) **Exceptions to COLA Effective Dates (continued):** • 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.		
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.	**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.	**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.

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
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. 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. **Defined Contribution Component** Not applicable.

B. Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	49
Inactive members:	
Vested	17
Non-vested	19
Active elsewhere in VRS	41
Total inactive members	77
Active members	60
Total covered employees	186

Note 9. Pension Plan (Continued)

C. 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, 2018 was 10.29% of covered compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

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 $338,777 and $326,438 for the years ended June 30, 2018 and 2017, respectively.

D. Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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.

Note 9. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Note 9. Pension Plan (Continued)

D. 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, 2016, 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, 2017.

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:	45% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Note 9. Pension Plan (Continued)

D. 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 9. Pension Plan (Continued)

D. 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, 2019, 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, 2019 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.

E. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	$ 14,370,653	$ 12,890,935	$ 1,479,718
Changes for the Year:			
Service cost	439,647	-	439,647
Interest	985,287	-	985,287
Changes of assumptions	(50,661)	-	(50,661)
Difference between expected and actual experience	71,604	-	71,604
Contributions – employer	-	326,438	(326,438)
Contributions – employee	-	182,391	(182,391)
Net investment income	-	1,578,406	(1,578,406)
Benefit payments, including refunds of employee contributions	(590,249)	(590,249)	-
Administrative expense	-	(9,029)	9,029
Other changes	-	(1,405)	1,405
Net changes	855,628	1,486,552	(630,924)
Balances at June 30, 2017	$ 15,226,281	$ 14,377,487	$ 848,794

Note 9. Pension Plan (Continued)

E. 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)	$ 2,945,085	$ 848,794	$ (885,040)

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at https://employers.varetire.org/pdf/publications/2017-annual-report.pdf, or by writing to the System's VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

For the year ended June 30, 2018, the Town recognized pension expense of $25,064. 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	$ 47,166	$ (61,121)
Changes of assumptions	-	(33,371)
Net difference between projected and actual earnings on pension plan investments	-	(215,606)
Employer contributions subsequent to the measurement date	338,777	-
Total	$ 385,943	$ (310,098)

The $338,777 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 ending June 30, 2019.

Note 9. Pension Plan (Continued)

F. 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
2019	$ (182,981)
2020	59,710
2021	(3,809)
2022	(135,852)
	$ (262,932)

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, 2018, the Town and plan members contributed $154,305 to the Trust Fund. Administrative expenses allocated to the Trust Fund during the fiscal year ended June 30, 2018 totaled $1,770. 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. Other Postemployment Benefits – Retiree Healthcare Plan

A. Plan Description

Other postemployment benefits provided by the Town include an agent 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.

Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

A. Plan Description (Continued)

RETIREE HEALTHCARE PLAN PROVISIONS
Eligible Employees A Town of Ashland retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Town sponsored Retiree Healthcare plan.

Retirement Eligibility
Employees may retire under the VRS with an unreduced pension benefit under the following age and service requirements:
• Plan 1 eligible employees
  o Age 50 and 30 years of service
  o Age 65 and 5 years of service
• Plan 2 and Hybrid plan eligible employees
  o Normal Social Security retirement age and at least 5 years of service, or, when your age and your years of service equal 90

Benefit Amounts The Town will provide a premium credit toward a retiree's health insurance premium at a rate of $35.00 plus $3.00 for each year of service per month. To be eligible for this premium credit, the retiree must have a minimum of 15 years of service with the Town and must be enrolled in the Town sponsored health insurance at the time of retirement. If an employee retires with 25 years of service to the Town, and is enrolled in the Town sponsored health insurance plan, the Town will pay the entire health insurance premium for the retiree. This premium credit is only for the retiree, it is not applicable to the premium charges for any covered family members. At age 65 retirees must enroll in Medicare as their primary insurer and may transition to the Town sponsored Medicare Supplement plan if they so desire. Premium credits would apply to the Medicare Supplement plan as described above.
Reduction in Benefit Amounts Plan 1 eligible employees may retire with a reduced pension benefit at age 50 and 10 years of service or age 55 and 5 years of service. Plan 2 and Hybrid eligible employees may retire with a reduced pension benefit at age 60 with 5 years of service.
Death of a Retiree Upon the death of a retiree, the surviving spouse may retain health insurance coverage if they pay the entire cost of the premium. Survivors of active employees are not eligible for postretirement benefits, even if the deceased active was eligible to retire at the time of death.

Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

B. Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	Number
Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	60
Total	72

C. Contributions

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. For the year ended June 30, 2018, the Town's average contribution rate was 6.07 percent of covered-employee payroll. Employees are not required to contribute to the plan.

D. Net Retiree Healthcare OPEB Liability

The Town's net Retiree Healthcare OPEB liability of $798,446 was measured as of June 30, 2018, and the total Retiree Healthcare OPEB liability used to calculate the net Retiree Healthcare OPEB liability was determined by an actuarial valuation as of July 1, 2017.

E. Actuarial Assumptions

The total Retiree Healthcare Plan OPEB liability was based on an actuarial valuation as of July 1, 2017, using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Payroll growth	3.00% per annum
Discount rate	7.00% per annum
Healthcare cost trend rates	Medical and Stop Loss: 6.0% graded down to 4.2% over 60 years

Mortality Rates – General Employees

The following mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

Pre-Commencement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back one year, 85% of rates; females set back one year.

Post-Commencement: RP-2014 Employee Rates to age 49, Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year; females set back one year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

E. Actuarial Assumptions (Continued)

Mortality Rates – Public Safety Employees

Pre-Commencement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year.

Post-Commencement: RP-2014 Employee Rates to age 49, Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

F. Changes in the Net Retiree Healthcare OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	$ 1,983,558	$ 1,073,300	$ 910,258
Changes for the year:			
Service cost	56,594	-	56,594
Interest	139,876	-	139,876
Benefit payments	(85,314)	(85,314)	-
Employer contributions	-	200,514	(200,514)
Net investment income	-	109,538	(109,538)
Administrative expenses	-	(1,770)	1,770
Net changes	111,156	222,968	(111,812)
Balance at June 30, 2018	$ 2,094,714	$ 1,296,268	$ 798,446

Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

G. Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geomeric Real Rate of Return
Core Fixed Income	19.60%	1.17%	0.99%
High Yield Bonds	1.40%	3.38%	2.77%
Large Cap US Equities	26.00%	5.53%	4.14%
Small Cap US Equities	10.00%	6.58%	4.57%
Developed Foreign Equities	13.00%	6.43%	4.66%
Emerging Market Equities	5.00%	8.76%	5.64%
Private Equity	5.00%	9.10%	6.63%
Hedge Funds / Absolute Return	10.00%	3.03%	2.63%
Real Estate (REITS)	7.00%	5.05%	3.86%
Commodities	3.00%	3.37%	1.78%
	Inflation		2.60%
	Portfolio Real Mean Return		4.22%
	Portfolio Nominal Mean Return		6.93%
	Portfolio Standard Deviation		12.55%
	Long-Term Expected Rate of Return		**7.00%**

H. Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

I. Sensitivity of the Town's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$ 2,387,340	$ 2,094,714	$ 1,850,103
Fiduciary Net Position	1,296,268	1,296,268	1,296,268
Net OPEB Liability	$ 1,091,072	$ 798,446	$ 553,835

J. Sensitivity of the Town's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Medical Trend Rate	1% Increase
Total OPEB Liability	$ 1,816,225	$ 2,094,714	$ 2,437,869
Fiduciary Net Position	1,296,268	1,296,268	1,296,268
Net OPEB Liability	$ 519,957	$ 798,446	$ 1,141,601

K. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

L. Retiree Healthcare OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized Retiree Healthcare OPEB expense of $113,105. For the year ended June 30, 2018, the Town reported deferred inflows of resources to the Retiree Healthcare OPEB plan of $24,403, relating to differences between projected and actual earnings on OPEB plan investments.

Note 11. Other Postemployment Benefits – Retiree Healthcare Plan (Continued)

L. Retiree Healthcare OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,		Amount
2019	$	(6,101)
2020		(6,101)
2021		(6,101)
2022		(6,100)
Total	$	(24,403)

Note 12. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts
The benefits payable under the GLI have several components.
• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  o Accidental dismemberment benefit
  o Safety belt benefit
  o Repatriation benefit
  o Felonious assault benefit
  o Accelerated death benefit option

Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently $8,111.

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Town were $17,454 and $16,597 for the years ended June 30, 2018 and 2017, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the Town's reported liability for its proportionate share of the net GLI OPEB liabilities was $260,000.

The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, comparisons of the Town's proportions to June 30, 2016 were as follows:

	2017	2016
Town	0.01730%	0.01758%

For the year ended June 30, 2018, the Town employees recognized GLI OPEB expense of $2,000. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (6,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(10,000)
Change in assumptions	-	(13,000)
Changes in proportion	-	(4,000)
Employer contributions subsequent to the measurement date	17,454	-
Total	$ 17,454	$ (33,000)

The $17,454 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	$ (7,000)
2020	(7,000)
2021	(7,000)
2022	(7,000)
2023	(4,000)
Thereafter	(1,000)
Total	$ (33,000)

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teachers	3.5%-5.95%
Locality – general employees	3.5%-5.35%
Locality – hazardous duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 the OPEB liabilities.

Mortality Rates – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Hazardous Duty Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI is as follows:

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$2,942,426,000
Plan fiduciary net position	1,437,586,000
Employers' net GLI OPEB liability	$1,504,840,000
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to financial statements and required supplementary information.

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the participating employers for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

H. Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town	$ 336,000	$ 260,000	$ 198,000

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 13. Pending GASB Statements

At June 30, 2018, 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. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, will increase the usefulness of the Company's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Statement No. 88 will be effective for reporting periods beginning after June 15, 2018.

Note 13. Pending GASB Statements (Continued)

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for reporting periods beginning after December 15, 2018.

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

Note 14. Contingencies

Federal and State-Assisted Programs

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

Note 15. Restatement of Net Position

The following adjustment was made to beginning net position at June 30, 2017:

Net position, end of year, as previously reported	$ 26,839,832
To establish beginning balances for OPEB-related items in accordance with GASB No. 75	(1,411,502)
Net position, June 30, 2017, as restated	$ 25,428,330

Note 16. Subsequent Events

On August 9, 2018, the Town issued bonds payable in the amount of $8,900,000 for the construction of a new Town Hall building as well as renovations to the Carter Park pool with annual principal payments ranging from $316,000 to $599,000 through February 2038 and interest at 3.61%, payable semi-annually.

In November, in conjunction with the Carter Park pool project, the Town entered into a contract with a construction company in the amount of $1,515,800. Additionally, the Town approved a contract for the construction of the Ashland Trolley Line Trail project in the amount of $1,301,384.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ASHLAND, VIRGINIA

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

	Fiscal Year June 30,			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	$ 370,012	$ 422,045	$ 423,410	$ 439,647
Interest	868,776	919,423	930,643	985,287
Difference between expected and actual experience	-	(664,104)	(12,340)	71,604
Changes of assumptions	-	-	-	(50,661)
Benefit payments, including refunds of employee contributions	(528,309)	(502,233)	(531,917)	(590,249)
Net change in total pension liability	710,479	175,131	809,796	855,628
Total pension liability - beginning	12,675,247	13,385,726	13,560,857	14,370,653
Total pension liability - ending (a)	$ 13,385,726	$ 13,560,857	$ 14,370,653	$ 15,226,281
Plan Fiduciary Net Position				
Contributions - employer	$ 393,953	$ 399,899	$ 414,669	$ 326,438
Contributions - employee	191,125	153,253	156,949	182,391
Net investment income	1,640,891	557,131	225,268	1,578,406
Benefit payments, including refunds of employee contributions	(528,309)	(502,233)	(531,917)	(590,249)
Administrative expense	(8,708)	(7,463)	(7,775)	(9,029)
Other	86	(117)	(94)	(1,405)
Net change in plan fiduciary net position	1,689,038	600,470	257,100	1,486,552
Plan fiduciary net position - beginning	10,344,327	12,033,365	12,633,835	12,890,935
Plan fiduciary net position - ending (b)	$ 12,033,365	$ 12,633,835	$ 12,890,935	$ 14,377,487
The Town's net pension liability - ending (a) - (b)	$ 1,352,361	$ 927,022	$ 1,479,718	$ 848,794
Plan fiduciary net position as a percentage of the total pension liability	89.90%	93.16%	89.70%	94.43%
Covered payroll	$ 3,068,170	$ 3,038,746	$ 3,150,980	$ 3,172,381
The Town's net pension liability as a percentage of covered payroll	44.08%	30.51%	46.96%	26.76%

Note to Schedule:

(1) 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 SYSTEM

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	$ 393,953	$ 399,899	$ 414,669	$ 326,438	$ 338,777
Contributions in relation to the CRC	393,953	399,899	414,669	326,438	338,777
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 3,068,170	$ 3,038,746	$ 3,150,980	$ 3,172,381	$ 3,292,293
Contributions as a percentage of covered-employee payroll	12.84%	13.16%	13.16%	10.29%	10.29%

Note to Schedule:

(1) 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2018

Note 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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Non-Hazardous Duty

Mortality Rates:	15% of deaths are assumed to be service related.
Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Hazardous Duty

Mortality Rates:	45% of deaths are assumed to be service related.
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF ASHLAND, VIRGINIA

SCHEDULES OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS – RETIREE HEALTHCARE PLAN

		Fiscal Year June 30, 2018
Total OPEB Liability		
Service cost	$	56,594
Interest		139,876
Benefit payments, including refunds of employee contributions		(85,314)
Net change in total OPEB liability		111,156
Total OPEB liability - beginning		1,983,558
Total OPEB liability - ending (a)	$	2,094,714
Plan Fiduciary Net Position		
Contributions - employer	$	200,514
Net investment income		109,538
Benefit payments, including refunds of employee contributions		(85,314)
Administrative expense		(1,770)
Net change in plan fiduciary net position		222,968
Plan fiduciary net position - beginning		1,073,300
Plan fiduciary net position - ending (b)	$	1,296,268
The Town's net OPEB liability - ending (a) - (b)	$	798,446
Plan fiduciary net position as a percentage of the total OPEB liability		61.88%
Covered payroll	$	3,356,524
The Town's net OPEB liability as a percentage of covered payroll		23.79%

Note to Schedule:

(1) 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 which information is available.

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF THE TOWN'S PLAN CONTRIBUTIONS – OPEB – RETIREE HEALTHCARE PLAN

	Fiscal Year June 30, 2018
Contractually required contribution (CRC)	$ 200,514
Contributions in relation to the CRC	200,514
Contribution deficiency (excess)	$ -
Employer's covered payroll	$ 3,356,524
Contributions as a percentage of covered payroll	5.97%

See Notes to Required Supplementary Information – OPEB.

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

		Fiscal Year June 30, 2017
Employer's proportion of the net GLI OPEB liability		0.01730%
Employer's proportionate share of the net GLI OPEB liability	$	260,000
Employer's covered payroll		3,191,793
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%

See Notes to Required Supplementary Information – OPEB.

TOWN OF ASHLAND, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	$ 10,618	$ 10,374	$ 12,129	$ 12,117	$ 15,013	$ 15,733	$ 16,064	$ 16,739	$ 16,597	$ 17,454
Contributions in relation to the CRC	10,618	10,374	12,129	12,117	15,013	15,733	16,064	16,739	16,597	17,454
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 2,949,318	$ 2,190,152	$ 2,756,822	$ 2,753,755	$ 2,832,720	$ 2,968,496	$ 3,030,874	$ 3,158,341	$ 3,191,793	$ 3,356,524
Contributons as a percentage of covered payroll	0.36%	0.47%	0.44%	0.44%	0.53%	0.53%	0.53%	0.53%	0.52%	0.52%

See Notes to Required Supplementary Information – OPEB.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2018

Note 1. Retiree Healthcare Plan

Changes of Benefit Terms

There have been no actuarially material changes to the Retiree Healthcare Plan benefit provisions since the prior actuarial valuation.

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2018	7.00%

Note 2. Group Life Insurance Program

Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 2. Group Life Insurance Program (Continued)

***Changes of Assumptions* (Continued)**

Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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, 2018

	Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Use of money	$ 22,000	$ 22,000	$ 50,465	$ 28,465
Permits, privilege fees and regulatory licenses	8,727	8,727	5,813	(2,914)
Recovered costs	-	-	20,425	20,425
Intergovernmental	1,971,186	1,971,186	562,506	(1,408,680)
Total revenues	2,001,913	2,001,913	639,209	(1,362,704)
Expenditures:				
Capital projects	5,827,600	6,510,056	2,152,025	(4,358,031)
Total expenditures	5,827,600	6,510,056	2,152,025	(4,358,031)
Revenues under expenditures	(3,825,687)	(4,508,143)	(1,512,816)	2,995,327
Other financing sources:				
Transfers in	1,179,276	1,414,276	1,414,276	-
Net change in fund balance	(2,646,411)	(3,093,867)	(98,540)	2,995,327
Fund balance, beginning	2,646,411	3,093,867	3,743,563	649,696
Fund balance, ending	$ -	$ -	$ 3,645,023	$ 3,645,023

SUPPLEMENTAL SCHEDULES

SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

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	$ 715,000	$ 715,000	$ 722,180	$ 7,180
Real and personal public service corporation property taxes	38,000	38,000	37,450	(550)
Personal property taxes	440,000	440,000	460,911	20,911
Mobile home taxes	1,300	1,300	951	(349)
Machinery and tools taxes	15,000	15,000	14,617	(383)
Penalties	18,000	18,000	22,390	4,390
Interest	13,000	13,000	9,913	(3,087)
Total general property taxes	1,240,300	1,240,300	1,268,412	28,112
Other local taxes:				
Local sales and use taxes	520,000	520,000	556,749	36,749
Consumer utility taxes	140,000	140,000	159,915	19,915
Consumption taxes	36,000	36,000	54,693	18,693
Business license taxes	550,000	550,000	533,639	(16,361)
Motor vehicle taxes	115,000	115,000	111,207	(3,793)
Cigarette taxes	250,000	250,000	220,441	(29,559)
Bank stock taxes	250,000	250,000	310,687	60,687
Meals taxes	2,185,000	2,185,000	2,211,273	26,273
Transient occupancy taxes	670,000	670,000	710,034	40,034
Total other local taxes	4,716,000	4,716,000	4,868,638	152,638
Permits, privilege fees and regulatory licenses:				
Permits and other licenses	25,500	25,500	27,813	2,313
Fines and forfeitures	100,000	100,000	91,173	(8,827)
Use of money and property:				
Revenue from use of money	20,000	20,000	53,042	33,042
Revenue from use of property	17,773	17,773	20,480	2,707
Total use of money and property	37,773	37,773	73,522	35,749
Charges for services:				
Parks and recreation	70,250	70,250	70,725	475
Miscellaneous	28,350	51,850	117,159	65,309
Recovered costs:				
Randolph Macon College	2,000	2,000	2,792	792
Other	450	450	565	115
Total recovered costs	2,450	2,450	3,357	907
Total revenue from local sources	6,220,623	6,244,123	6,520,799	276,676

SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

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	$ 2,000	$ 2,000	$ 4,959	$ 2,959
Auto rental taxes	100,000	100,000	101,592	1,592
Communication sales and use taxes	260,000	260,000	250,572	(9,428)
Personal property tax relief	111,774	111,774	111,774	-
Rolling stock taxes	10,075	10,075	306	(9,769)
Total non-categorical aid	483,849	483,849	469,203	(14,646)
Categorical aid:				
DJCP law enforcement assistance	170,643	170,643	170,644	1
Fire programs	23,455	23,455	24,154	699
Litter control	3,239	3,239	3,158	(81)
Arts grant	5,000	5,000	4,500	(500)
Site characterization grant	-	-	29,500	29,500
Street and highway maintenance	1,733,463	1,733,463	1,706,119	(27,344)
License plate grant	3,499	3,499	-	(3,499)
Total categorical aid	1,939,299	1,939,299	1,938,075	(1,224)
Total revenue from the Commonwealth	2,423,148	2,423,148	2,407,278	(15,870)
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	3,000	3,000	848	(2,152)
Transportation safety	12,000	12,000	9,646	(2,354)
Local law enforcement block grant	4,500	4,500	23,658	19,158
Total revenue from the federal government	19,500	19,500	34,152	14,652
Total intergovernmental revenue	2,442,648	2,442,648	2,441,430	(1,218)
Total General Fund	$ 8,663,271	$ 8,686,771	$ 8,962,229	$ 275,458

SCHEDULE OF REVENUES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2018

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	$ 22,000	$ 22,000	$ 50,465	$ 28,465
Permits, privilege fees and regulatory licenses:				
Stormwater management permits	8,727	8,727	5,813	(2,914)
Recovered costs	-	-	20,425	20,425
Total revenue from local sources	30,727	30,727	76,703	45,976
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Industrial revitalization	-	500,000	338,194	(161,806)
Stormwater local assistance fund grant	211,000	211,000	111,231	(99,769)
Tourism grant	500,000	-	-	-
Total categorical aid	711,000	711,000	449,425	(261,575)
Total revenue from the Commonwealth	711,000	711,000	449,425	(261,575)
Revenue from the federal government:				
Categorical aid:				
RSTP trolley line trail grant	1,064,186	1,064,186	1,850	(1,062,336)
National fish and wildlife grant	196,000	196,000	111,231	(84,769)
Total revenue from the federal government	1,260,186	1,260,186	113,081	(1,147,105)
Total intergovernmental revenue	1,971,186	1,971,186	562,506	(1,408,680)
Total Capital Projects Fund	$ 2,001,913	$ 2,001,913	$ 639,209	$ (1,362,704)
Grand Total Revenues - Primary Government	$ 10,665,184	$ 10,688,684	$ 9,601,438	$ (1,087,246)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2018

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	$ 52,944	$ 62,944	$ 51,623	$ (11,321)
General and financial administration:				
Town manager	527,014	594,014	613,626	19,612
Tourism	164,311	164,311	136,756	(27,555)
Treasurer	263,880	263,880	271,020	7,140
Information technology	153,525	153,525	149,876	(3,649)
Board of elections	800	800	3,220	2,420
Total general and financial administration	1,109,530	1,176,530	1,174,498	(2,032)
Total general government administration	1,162,474	1,239,474	1,226,121	(13,353)
Public safety:				
Law enforcement and traffic control:				
Police	2,659,706	2,673,206	2,692,871	19,665
Fire and rescue services:				
Fire department	28,455	28,455	31,499	3,044
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	33,455	33,455	36,499	3,044
Total public safety	2,693,161	2,706,661	2,729,370	22,709
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/administration	737,642	737,642	762,229	24,587
Street maintenance	1,745,313	1,745,313	1,585,297	(160,016)
Storm drainage	58,000	58,000	46,433	(11,567)
Snow and ice removal	66,000	66,000	24,835	(41,165)
Traffic engineering	83,500	83,500	100,934	17,434
Streetlights	56,000	56,000	52,040	(3,960)
Total maintenance of highways, streets, bridges and sidewalks	2,746,455	2,746,455	2,571,768	(174,687)
Sanitation and waste removal:				
Refuse collection and disposal	231,000	231,000	206,072	(24,928)
Maintenance of general buildings and grounds:				
General properties	255,723	255,723	208,667	(47,056)
Vehicle maintenance	128,938	128,938	136,919	7,981
Total public works	3,362,116	3,362,116	3,123,426	(238,690)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

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	$ 161,917	$ 161,917	$ 149,799	$ (12,118)
Community development:				
Planning and zoning	434,592	434,592	402,153	(32,439)
Economic development	144,364	144,364	179,408	35,044
Total community development	578,956	578,956	581,561	2,605
Nondepartmental:				
Contribution to fund OPEB	158,200	158,200	-	(158,200)
Total General Fund	$ 8,116,824	$ 8,207,324	$ 7,810,277	$ (397,047)
Capital Projects Fund:				
Residential streets improvement program	$ 125,199	$ 125,199	$ -	$ (125,199)
Sidewalks and curbing	468,830	468,830	152,734	(316,096)
Ashland Theatre	150,000	149,800	130,740	(19,060)
Drainage improvements	102,034	102,034	103,902	1,868
Stormwater management program	223,282	220,018	91,064	(128,954)
Route 1 / Route 54 intersection improvements	450,000	450,000	-	(450,000)
Downtown campus maintenance	20,000	20,000	-	(20,000)
Public works facilities	110,711	154,628	59,426	(95,202)
Mechumps Creek Restoration, Phase II	422,000	422,000	132,709	(289,291)
Transportation 2040 Master Plan	110,488	110,488	-	(110,488)
Public works vehicle replacement	324,723	324,723	151,271	(173,452)
Park equipment replacement	27,500	27,500	-	(27,500)
Public works facilities maintenance	15,000	15,000	(4)	(15,004)
Downtown sidewalks	91,380	207,730	52,057	(155,673)
Trails	40,000	40,000	-	(40,000)
Dejarnette Park	4,000	5,000	-	(5,000)
Pavilion	8,000	8,000	-	(8,000)
S. Taylor Street park maintenance	7,033	7,033	-	(7,033)
Pool renovation	224,795	218,983	185,999	(32,984)
Economic development incentive	125,000	125,000	-	(125,000)
Carter Park	20,707	20,707	-	(20,707)
Skateboard Park	1,000	9,803	2,304	(7,499)
Pufferbelly Park maintenance	16,591	16,591	-	(16,591)
Gateway and wayfinding	-	37,373	33,112	(4,261)
Contingencies	154,459	269,459	-	(269,459)
Police vehicle replacement	111,484	109,720	84,635	(25,085)
Ashland PD capital	80,000	80,000	80,000	-
Police Department building maintenance	40,012	39,562	17,617	(21,945)
Town Hall improvements	150,000	226,487	115,336	(111,151)
Visitor center ADA improvements	25,000	25,000	-	(25,000)
Trolley line trail	1,078,372	1,075,036	1,639	(1,073,397)
Theatre renovation - equipment	500,000	475,878	24,868	(451,010)
Theatre renovation - building construction	250,000	422,474	671,616	249,142
Broadband / Fiber Optics	350,000	500,000	61,000	(439,000)
Total Capital Projects Fund	$ 5,827,600	$ 6,510,056	$ 2,152,025	$ (4,358,031)
Grand Total Expenditures - Primary Government	$ 13,944,424	$ 14,717,380	$ 9,962,302	$ (4,755,078)

STATISTICAL SECTION

TOWN OF ASHLAND, VIRGINIA

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

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

TOWN OF ASHLAND, VIRGINIA **Table 1**

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

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014 [1]	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	$ 17,202,531	$ 16,675,804	$ 17,152,529	$ 16,895,598	$ 16,744,175	$ 17,097,569	$ 17,276,925	$ 18,045,551	$ 18,752,219	$ 20,109,355
Unrestricted	6,228,168	7,077,987	6,689,174	6,996,858	7,468,131	7,861,122	6,640,901	7,472,072	8,087,613	6,795,833
Total governmental activities net assets	$ 23,430,699	$ 23,753,791	$ 23,841,703	$ 23,892,456						
Total governmental activities net position					$ 24,212,306	$ 24,958,691	$ 23,917,826	$ 25,517,623	$ 26,839,832	$ 26,905,188
						(1)			(2)	

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.

(2) June 30, 2017 net position was restated for the implementation of GASB Statements No. 75 which reduced net position by $1,411,502.

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Primary government:										
Expenses:										
Governmental activities:										
General government administration	$ 1,080,181	$ 1,079,252	$ 1,144,531	$ 989,332	$ 967,749	$ 974,966	$ 1,028,107	$ 1,003,493	$ 1,043,210	$ 1,233,279
Public safety	2,334,043	2,315,497	2,395,351	2,413,532	2,410,269	2,650,596	2,609,198	2,574,264	2,741,517	2,624,360
Public works	2,925,473	2,915,958	2,876,909	3,367,934	3,777,614	3,480,524	3,304,844	3,270,718	3,226,822	3,493,673
Health and welfare	-	5,950	(3,089)	-	-	-	-	-	-	-
Parks, recreation and cultural	174,949	176,640	196,264	202,295	196,080	193,899	176,107	154,582	187,282	182,363
Community development	547,544	465,452	435,808	460,829	508,743	503,721	521,005	493,109	586,557	543,118
Interest	4,520	3,460	2,351	751	571	-	-	-	-	-
Total governmental activities	7,066,710	6,962,209	7,048,125	7,434,673	7,861,026	7,803,706	7,639,261	7,496,166	7,785,388	8,076,793
Total primary government expenses	7,066,710	6,962,209	7,048,125	7,434,673	7,861,026	7,803,706	7,639,261	7,496,166	7,785,388	8,076,793
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	168,106	182,895	182,576	220,380	178,349	168,009	180,092	164,557	152,900	125,364
Public works	-	-	-	2,152	2,041	3,080	1,644	3,851	2,347	23,217
Parks, recreation and cultural	62,179	53,789	63,284	66,347	50,577	56,855	53,893	58,911	71,010	70,725
Operating grants and contributions	1,599,898	1,576,377	1,628,978	580,068	657,038	605,249	612,856	640,232	654,146	1,027,265
Capital grants and contributions	332,763	-	-	1,152,183	1,118,665	1,613,559	1,672,886	1,896,335	1,537,045	1,507,468
Total governmental activities	2,162,946	1,813,061	1,874,838	2,021,130	2,006,670	2,446,752	2,521,371	2,763,886	2,417,448	2,754,039
Total primary government program revenues	2,162,946	1,813,061	1,874,838	2,021,130	2,006,670	2,446,752	2,521,371	2,763,886	2,417,448	2,754,039
Net (expense) revenue:										
Governmental activities	(4,903,764)	(5,149,148)	(5,173,287)	(5,413,543)	(5,854,356)	(5,356,954)	(5,117,890)	(4,732,280)	(5,367,940)	(5,322,754)
Total primary government net expense	(4,903,764)	(5,149,148)	(5,173,287)	(5,413,543)	(5,854,356)	(5,356,954)	(5,117,890)	(4,732,280)	(5,367,940)	(5,322,754)

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues:										
Governmental activities:										
Taxes:										
General property	$ 1,016,610	$ 1,112,194	$ 960,473	$ 925,815	$ 1,056,984	$ 981,908	$ 1,076,547	$ 1,122,986	$ 1,281,426	$ 1,286,830
Local sales and use	334,098	318,926	338,717	353,643	438,114	460,355	489,115	512,488	514,697	556,749
Business license	467,741	441,166	434,134	434,888	500,256	478,934	465,772	571,835	536,950	533,639
Transient occupancy	531,333	480,558	451,943	456,153	446,241	584,443	609,619	650,631	671,630	710,034
Meals	1,815,232	1,764,723	1,769,105	1,824,826	1,814,498	1,850,129	1,945,952	2,103,102	2,188,430	2,211,273
Other	750,646	1,141,773	824,267	852,914	806,048	805,006	782,742	828,969	863,083	856,943
Use of money and property	85,775	32,426	27,958	23,517	27,630	23,519	25,428	41,498	74,880	123,987
Miscellaneous	14,019	(15,008)	(17,371)	75,201	563,133	396,238	127,030	14,955	66,982	50,954
Intergovernmental, non-categorical aid	210,683	195,482	486,050	517,339	521,302	522,807	491,787	485,613	492,071	469,203
Total governmental activities	5,226,137	5,472,240	5,275,276	5,464,296	6,174,206	6,103,339	6,013,992	6,332,077	6,690,149	6,799,612
Total primary government	5,226,137	5,472,240	5,275,276	5,464,296	6,174,206	6,103,339	6,013,992	6,332,077	6,690,149	6,799,612
Changes in net position/assets:										
Governmental activities	322,373	323,092	101,989	50,753	319,850	746,385	896,102	1,599,797	1,322,209	1,476,858
Total primary government	$ 322,373	$ 323,092	$ 101,989	$ 50,753	$ 319,850	$ 746,385	$ 896,102	$ 1,599,797	$ 1,322,209	$ 1,476,858

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

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
General Fund:					
Unassigned	$ 5,207,596	$ 5,228,516	$ 5,510,285	$ 5,458,019	$ 5,195,695
Total General Fund	$ 5,207,596	$ 5,228,516	$ 5,510,285	$ 5,458,019	$ 5,195,695
All Other Governmental Funds:					
Committed	$ 2,715,601	$ 3,223,307	$ 3,322,448	$ 3,743,563	$ 3,645,023
Total all other governmental funds	$ 2,715,601	$ 3,223,307	$ 3,322,448	$ 3,743,563	$ 3,645,023

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
General property taxes	$ 1,037,166	$ 979,608	$ 974,627	$ 962,153	$ 971,843	$ 1,027,076	$ 1,116,629	$ 1,105,818	$ 1,244,228	$ 1,268,412
Other local taxes	3,899,050	4,147,146	3,818,166	3,922,424	4,005,157	4,178,867	4,293,200	4,667,025	4,774,790	4,868,638
Permits, privilege fees and regulatory licenses	60,361	47,854	37,309	58,518	46,392	36,833	43,851	38,432	42,532	33,626
Fines and forfeitures	107,745	135,041	145,267	144,895	113,461	114,293	123,379	125,570	109,888	91,173
Use of money and property	85,775	32,426	27,958	23,517	27,630	23,519	25,428	41,498	74,880	123,987
Charges for services	62,179	53,789	63,284	66,347	50,577	56,855	53,893	58,911	71,010	70,725
Miscellaneous	14,019	(15,008)	(17,371)	75,201	563,133	396,238	127,030	14,955	66,982	117,159
Recovered costs	64,733	55,946	29,543	19,751	20,537	19,963	14,506	4,406	2,827	23,782
Intergovernmental:										
Commonwealth	1,766,533	1,724,707	2,090,328	2,161,129	2,191,523	2,245,864	2,301,495	2,769,718	2,598,402	2,856,703
Federal	376,811	47,152	24,700	87,829	105,482	265,751	388,834	252,462	84,860	147,233
Total revenues	7,474,372	7,208,661	7,193,811	7,521,764	8,095,735	8,365,259	8,488,245	9,078,795	9,070,399	9,601,438
Expenditures:										
General government administration	1,111,174	1,031,702	1,038,230	926,453	944,518	945,908	1,039,415	1,033,711	1,052,604	1,226,121
Public safety	2,222,091	2,188,271	2,184,073	2,253,606	2,318,596	2,608,009	2,577,099	2,587,098	2,648,090	2,729,370
Public works	2,486,865	2,358,561	2,365,844	2,676,727	2,688,144	2,597,852	2,800,297	2,730,645	3,008,375	3,123,426
Parks, recreation and cultural	115,135	117,621	137,974	131,565	142,935	144,852	143,928	123,743	150,089	149,799
Community development	489,879	451,049	410,881	446,579	507,332	491,261	494,581	505,697	560,180	581,561
Nondepartmental	-	-	128,400	160,069	-	-	-	-	-	-
Capital projects	691,337	150,646	1,361,105	524,312	1,100,272	1,137,821	904,299	1,716,991	1,282,212	2,152,025
Debt service:										
Principal	37,034	37,034	38,984	38,983	39,958	-	-	-	-	-
Interest and fiscal charges	4,961	3,902	2,815	1,692	571	-	-	-	-	-
Total expenditures	7,158,476	6,338,786	7,668,306	7,159,986	7,742,326	7,925,703	7,959,619	8,697,885	8,701,550	9,962,302
Revenues over (under) expenditures	315,896	869,875	(474,495)	361,778	353,409	439,556	528,626	380,910	368,849	(360,864)
Other financing sources (uses):										
Transfers in	350,000	410,000	901,167	966,998	705,000	787,500	1,005,408	1,135,000	1,420,000	1,414,276
Transfers out	(350,000)	(410,000)	(901,167)	(966,998)	(705,000)	(787,500)	(1,005,408)	(1,135,000)	(1,420,000)	(1,414,276)
Total other financing sources, net	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	$ 315,896	$ 869,875	$ (474,495)	$ 361,778	$ 353,409	$ 439,556	$ 528,626	$ 380,910	$ 368,849	$ (360,864)

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt service as a percentage of noncapital expenditures:										
Total debt service	$ 41,995	$ 40,936	$ 41,799	$ 40,675	$ 40,529	$ -	$ -	$ -	$ -	$ -
Total expenditures	$ 7,158,476	$ 6,338,786	$ 7,668,306	$ 7,159,986	$ 7,742,326	$ 7,925,703	$ 7,959,619	$ 8,697,885	$ 8,701,550	$ 9,962,302
Less: capital outlay	(691,337)	(150,646)	(1,145,407)	(346,148)	(505,190)	(864,221)	(881,368)	(1,628,699)	(1,592,926)	(2,306,292)
Noncapital expenditures	$ 6,467,139	$ 6,188,140	$ 6,522,899	$ 6,813,838	$ 7,237,136	$ 7,061,482	$ 7,078,251	$ 7,069,186	$ 7,108,624	$ 7,656,010
Debt service as a percentage of noncapital expenditures	0.65%	0.66%	0.64%	0.60%	0.56%	0.00%	0.00%	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
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
2017	1,212,945	514,697	147,463	43,876	-	-	536,950	113,965	307,840	249,939	671,630	2,188,430	5,987,735
2018	1,236,109	556,749	159,915	54,693	-	-	533,639	111,207	310,687	220,441	710,034	2,211,273	6,104,747
Change 2009-2018	22.36%	66.64%	35.14%	44.74%	-100.00%	-100.00%	14.09%	-17.24%	77.02%	100.00%	33.63%	21.82%	24.35%

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
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
2017	777,354,000	80,086,500	1,862,295	1,937,540	42,848,148	24,046	904,112,529	6.24%	904,112,529	100.00%	1.70
2018	791,683,200	81,053,135	1,614,000	2,425,790	42,294,461	5,728	919,076,314	1.66%	919,076,314	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, 2014, and 2018.

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
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
2017	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
2018	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]
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
2017	7%	5%	0.22
2018	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, 2018			Fiscal Year June 30, 2009		
Taxpayer	Type Business	2018 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value [1]	2009 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
CLF Ashland, LLC	Distribution Center	$17,542,800	1	2.10%	$ -	-	0.00%
Republic National Distribution	Commercial	15,757,000	2	1.89%	-	-	0.00%
Ashland Hanover LLC	Shopping Center	14,307,900	3	1.72%	15,223,500	1	2.12%
Ashland Town Square, LLC	Apartments	14,194,300	4	1.70%	9,029,700	5	1.26%
Wal-Mart Real Estate Bus. Trust	Shopping Center	10,981,200	5	1.32%	9,710,800	4	1.87%
Sedgefield Mobile Home Associates	Mobile Home Community	10,187,500	6	1.22%	8,471,500	6	1.18%
Ashland Junction, LLC	Shopping Center	6,948,800	7	0.83%	8,066,000	7	1.12%
Ashland Hi, LLC	Commercial	6,867,200	8	0.82%	6,948,500	8	0.97%
Concrete Pipe & Precast, LLC	Commercial	6,461,700	9	0.77%	-	-	0.00%
Culpepper, J L, & Co., Inc.	Commercial	6,015,200	10	0.72%	5,387,700	-	0.75%
Total		$109,263,600		13.10%	$ 62,837,700		9.27%

Notes:

(1) Source: Commissioner of Revenue.

(2) Total real estate assessment as noted on Table 6 is $833,977,661.

TOWN OF ASHLAND, VIRGINIA **Table 10**

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

	Fiscal Year June 30,	
	2018	2009
Taxpayer	Rank	Rank
Chick-Fil-A	1	-
Cracker Barrel	2	1
McDonalds - 103 S. Carter Road	3	2
McDonalds - 201 S. Washington Highway	4	4
Starbuck's	5	-
Applebee's	6	5
Sports Page Grille	7	-
Cook Out	8	-
El Azteca	9	13
The Iron Horse	10	10
Total Meals Tax	$ 2,211,273	$ 1,826,071

Notes:

(1) The Meals Tax Rate was 5% for fiscal years 2018 and 2009.

(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
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%
2017	1,481,259	1,374,986	92.83%	-	1,374,986	92.83%
2018	1,395,165	1,297,554	93.00%	47,871	1,345,425	96.43%

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
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%	-
2017	-	-	0.00%	-
2018	-	-	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 2018.

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
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%	-
2017	-	-	-	0.00%	-
2018	-	-	-	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 2018.

TOWN OF ASHLAND, VIRGINIA **Table 14**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2018
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County of Hanover, Virginia	$ 94,548,104	6.34%	$ 5,994,350
Total direct and overlapping debt			$ 5,994,350

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Legal debt margin	$ 72,406,497	$ 74,570,480	$ 80,725,194	$ 74,364,285	$ 73,971,979	$ 74,285,432	$ 77,539,922	$ 77,873,577	$ 82,020,215	$ 83,397,766
Total net debt applicable to limit	154,959	117,925	78,941	39,958	-	-	-	-	-	-
Available legal debt margin	$ 72,251,538	$ 74,452,555	$ 80,646,253	$ 74,324,327	$ 73,971,979	$ 74,285,432	$ 77,539,922	$ 77,873,577	$ 82,020,215	$ 83,397,766
Total net debt applicable to the limit as a percentage of debt limit	0.21%	0.16%	0.10%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal debt margin calculation for fiscal year 2018:	
Assessed value of real estate	$ 833,977,661
Debt limit (10% of assessed value)	$ 83,397,766
Debt applicable to limit:	
Net direct debt outstanding	-
Available legal debt margin	$ 83,397,766

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)

	2017			2008		
Employer	Employees	Rank	Percentage of Total County Employment [2]	Employees	Rank	Percentage of Total County Employment [2]
Hanover County Schools	2,482	1	4.3%	2,903	1	5.2%
Bon Secours Memorial Regional Medical	1,000 and over	2	3.4%	1,000 and over	2	3.6%
County of Hanover	1,128	3	1.9%	1,154	3	2.1%
Tyson Farms	500-999	4	1.3%	500-999	8	1.3%
Wal-Mart Stores	500-999	5	1.3%	500-999	6	1.3%
Supervalu Distribution Center (2017)/Richfood (2008)	500-999	6	1.3%	500-999	4	1.3%
Kings Dominion	500-999	7	1.3%	500-999	7	1.3%
Acosta Sales & Marketing Co	500-999	8	1.3%	-	n/a	0.0%
Kroger	250-499	9	0.6%	-	n/a	0.0%
Owens & Minor Medical Inc	250-499	10	0.6%	500-999	9	1.3%
			17.3%			17.4%
Total County Employment [3]	58,121			55,834		

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. The most recent year for which this data is available is 2017.

(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	Population [1]	Per Capita Personal Income [1]	Personal Income [2]	Median Age [3]	County of Hanover School Enrollment [4]	County of Hanover Unemployment Rate [5]
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%
2017	7,649	23,930	183,040,570	33.2	17,751	3.5%
2018	7,796	25,718	200,497,528	32.8	17,671	2.9%

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 2018, Virginia Employment Commission for 2009 and 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration	9	9	6	6	6	6	6	6	6	6
Public safety:										
Police department	28	24	27	27	27	27	28	28	28	28
Public works:										
Maintenance	23	22	22	22	22	23	23	24	24	24
Community development:										
Planning	5	3	5	5	5	5	5	5	5	5
Total	65	58	60	60	60	61	62	63	63	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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety:										
Building inspections:										
Total building permits	131	126	101	127	103	96	133	171	134	161

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Vehicles	8	9	2	4	1	2	3	3	3	3
Public safety:										
Police department:										
Patrol units	28	27	33	25	28	30	29	25	28	28
Other vehicles	1	2	2	4	6	7	8	10	11	11
Public works:										
General maintenance:										
Trucks/vehicles	19	19	20	19	22	24	25	28	32	33
Equipment	86	87	28	21	17	17	18	18	16	18
Parks and recreation:										
Parks acreage	23.60	23.60	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, the remaining fund information, and the budgetary comparison of the General Fund of the Town of Ashland, Virginia (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 2, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2018-001 that we consider to be a material weakness.

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.*

The Town's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 2, 2019

FINANCIAL STATEMENT FINDING

Material Weakness in Internal Control

2018-001: Material Weakness Due to Lack of Timely Reconciliations

Criteria: In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the Town of Ashland, Virginia (Town) for the fiscal year just ended. The efficient, effective, and timely preparation of the Comprehensive Annual Financial Report (CAFR) includes closing the Town's general ledgers, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data for reporting. In order to verify that the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete, accurate, and in accordance with GAAP.

Condition/Context: During the fiscal year 2018 audit and financial reporting processes, multiple instances were identified where the complete and accurate recording of financial transactions within the general ledger did not occur including (but not limited to) the following:

- The Town was unable to reconcile the Town's cash and investments balances with financial institutions to the balance per the general ledger for the months of August through April until June 2018.
- The Town was unable to reconcile various other general ledger accounts for the months of August through April until June 2018.

Cause: During fiscal year 2018, the Town's Finance Department lacked the required technical skills to analyze and reconcile the Town's transactions both timely and accurately. Internal control processes were not in place to monitor related account activities to ensure the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses in the Town's CAFR.

Effect: The controls in place to close the year-end books, reconcile the balances, analyze the period transactions, and accumulate and assimilate such data into a timely, GAAP compliant financial report simply did not function.

FINANCIAL STATEMENT FINDINGS (Continued)

Material Weakness in Internal Control (Continued)

2018-001: Material Weakness Due to Lack of Timely Reconciliations and Lack of Adequate Year End Close Procedures (Continued)

Recommendation: The Town should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend increasing levels of oversight to ensure reconciliations are performed timely and formal year end close procedures are documented and followed to support the existence, completeness, accuracy and valuation of all assets and liabilities, revenues, and expenditures/expenses reported in the Town's CAFR.

Views of Responsible Officials: Management of the Town agree with the Auditor's findings and recommendations.