

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT



Fiscal Year Ended
June 30, 2011

INTRODUCTORY SECTION

TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2011

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Title Page	i
Table of Contents	ii-v
Town Officials	vi
Organizational Chart	vii
GFOA Certificate of Achievement	viii
Letter of Transmittal	ix-xviii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	9
Exhibit 2 Statement of Activities	10
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	11
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	13
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Exhibit 7 Statement of Fiduciary Net Assets—Fiduciary Funds	15
Exhibit 8 Statement of Changes in Fiduciary Net Assets	16
Notes to Financial Statements	17-38

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION: (Continued)

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 9 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund	39
Exhibit 10 Schedule of Funding Progress - Virginia Retirement System	40
Exhibit 11 Schedule of Funding Progress - Retiree Healthcare Plan	41
<u>Other Supplementary Information:</u>	
Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–Capital Projects Fund	42
Discretely Presented Component Unit–Economic Development Authority:	
Exhibit 13 Statement of Net Assets	43
Exhibit 14 Statement of Revenues, Expenses, and Changes in Fund Net Assets	44
Exhibit 15 Statement of Cash Flows	45
Supporting Schedules:	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds	46-47
Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds	48-49

TOWN OF ASHLAND, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS (CONTINUED)

<u>STATISTICAL SECTION</u>	<u>Page</u>
Table 1 Net Assets by Component	50
Table 2 Changes in Net Assets	51
Table 3 Fund Balances of Governmental Funds	52
Table 4 Changes in Fund Balances of Governmental Funds	53
Table 5 Assessed Value and Estimated Actual Value of Taxable Property	54
Table 5a Tax Revenues by Source, Governmental Funds	55
Table 6 Property Tax Rates - Direct and Overlapping Governments	56
Table 6a Other Tax Rates	57
Table 7 Principal Property Taxpayers	58
Table 8 Property Tax Levies and Collections	59
Table 9 Ratios of Outstanding Debt by Type	60
Table 10 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	61
Table 11 Direct and Overlapping Governmental Activities Debt	62
Table 12 Legal Debt Margin Information	63
Table 13 Demographic and Economic Statistics	64
Table 14 Full-time Equivalent Town Government Employees by Function	65
Table 15 Operating Indicators by Function	66
Table 16 Capital Asset Statistics by Function	67

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

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

68-69

TOWN OF ASHLAND, VIRGINIA

Town Council

Faye O. Prichard, Mayor

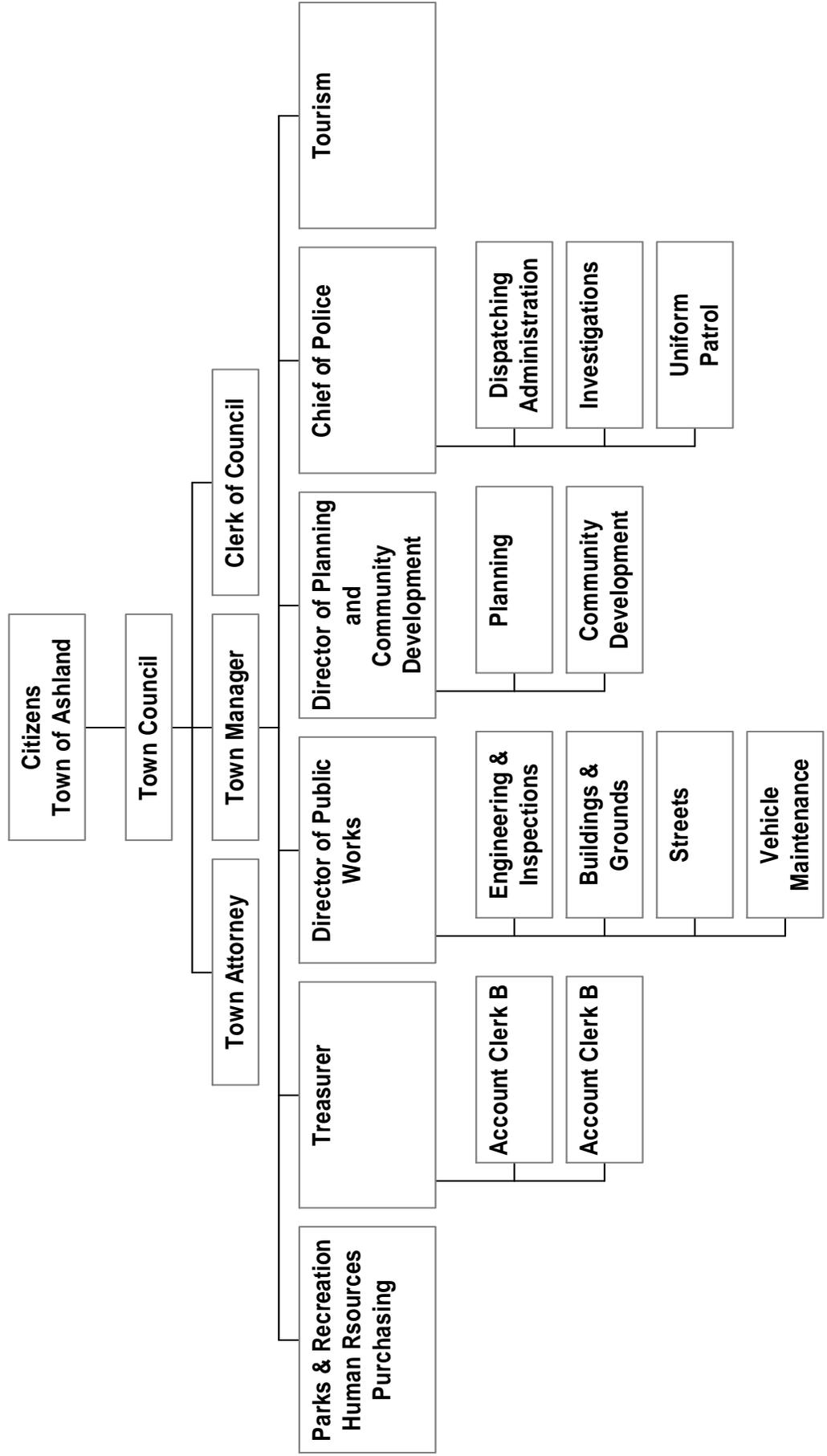
Dr. George F. Spagna, Jr., Vice Mayor
James Foley

Terri Winston-Abri
Ned Henson

Other Officials

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

Town of Ashland Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ashland
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Danison

President

Jeffrey R. Enos

Executive Director



Town of Ashland

Center of the Universe

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

TELEPHONE (804) 798-9219
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December 6, 2011

The Honorable Members of Town Council
Town of Ashland
Ashland, Virginia 230059

Dear Members of Town Council:

Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia for the fiscal year ended June 30, 2011, is submitted herewith as required by the Code of Virginia. This report was prepared by the Treasurer's Office in accordance with generally accepted accounting principles (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 and Capital Projects Fund. These funds are included in these 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

FAYE O.
PRICHARD
MAYOR

GEORGE F.
SPAGNA, JR.
VICE MAYOR

JAMES R.
FOLEY
COUNCIL MEMBER

TERRI
WINSTON-ABRI
COUNCIL MEMBER

EDWARD L.
HENSON, III
COUNCIL MEMBER

CHARLES W.
HARTGROVE
TOWN MANAGER

ANDREA E.
ERARD
TOWN ATTORNEY

LOIS A. SMITH
CLERK OF COUNCIL

in the above funds. The Financial Report includes a separate Introductory Section, Financial Section, Statistical Section and a Compliance Section.

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

Significant Local Events

Within the metropolitan Richmond area, there has been a severe weakening of the economy. Retail development has slowed significantly in western Henrico County and in Richmond south of the James River. As the only incorporated town in the Richmond area, Ashland finds itself the subject of attention of those seeking a small town type of atmosphere, with easy access to multiple modes of transportation, in which to live or work.

In terms of the local economy, the level of activity in and around the Town has remained constant during the 2010-11 fiscal year. The number of vacant commercial and industrial properties has decreased slightly during the last fiscal year. We do expect the activities to stabilize during the next year or two depending on the resurgence of the national economy.

Three industrial parks are located within the Town, all of them located between Washington Highway (U.S. Route 1) and Interstate 95. The Ashland Business Park is the

largest of these having a total of one hundred eighty-seven acres. The second and final phase of the park will have more direct access to Interstate 95. Ashland Business Park has the potential for up to two million square feet of commercial and industrial space.

The ninety-acre Ashcake Village Industrial Park has a variety of contractors, wholesalers and small manufacturers as does Ashland Park, a forty-five acre industrial park. All of the industrial parks are privately owned, indicating the strength of the local private sector. The Virginia Transportation Center on U.S. Route 1 in North Ashland provides an additional eighty-three acre park with an emphasis on transportation related uses.

As mentioned previously, commercial building activity has been minimal during FY 2011 with few new businesses occupying space in existing buildings and very little construction of new buildings. Twenty commercial certificates of occupancy were issued during the year. New commercial construction included the completion of several small retail and convenience facilities. Commercial activity has been equalized in the downtown area with recent closings of existing businesses and openings of new businesses. Vacancies are found throughout our various commercial districts. Retail vacancies range between 4-6% and office vacancies range between 4-6% within the Town.

Residential construction has continued through both an infill process of construction of small numbers of houses on previously subdivided lots. Thirty-eight certificates of occupancy were issued for residential units in Ashland during the year, representing a twelve percent annual decrease in the total number of residential units.

Prospects for the Future

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

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

Another objective of Town Council has been to address major service needs and infrastructure repairs. These projects were funded from a variety of sources including cash reserves, state recreation grants, and state road maintenance funds. Continued sidewalks, street, and curb/gutter improvements are featured in the FY 2012 budget.

Financial Information

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

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

Accounting System and Budgetary Control

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of the Town's internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The

concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

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

History and Description of Government

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

The government of the Town is under the direction of a Town Council elected by Town voters. The Town Council is made up of five members elected for staggered four-year

terms. The Council elects the Mayor from its membership for a two-year term of office. Council elects a Vice Mayor from among the four remaining members.

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

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

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

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

The Town was originally founded as a summer community by the Richmond, Fredericksburg and Potomac Railroad Company. A few years later, Randolph-Macon College

moved to the Town bringing additional growth. After the construction of U.S. Route 1 in the early 1900s, an increase in tourist-related growth began. Tourism continued to grow with the opening of Interstate 95 in 1963 and, in the 1970s, of Kings Dominion, a large amusement park eight miles north of Ashland. The expansion of the Richmond metropolitan area throughout the 1980's and 1990's has brought added development activity to the Ashland/Hanover area.

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

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Ashland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. 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 generally accepted governmental accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town of Ashland has received a Certificate of Achievement for the last twenty-four consecutive years (fiscal years ended 1987 - 2010). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

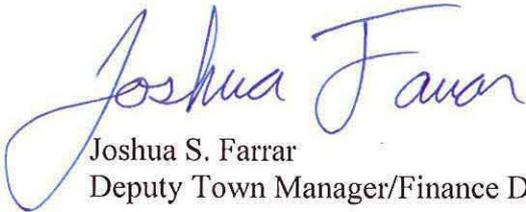
Acknowledgments

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 Treasurer's Office. We

would like to express our appreciation to all those who assisted in and contributed to the preparation of this report.

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

Respectfully submitted,



Joshua S. Farrar
Deputy Town Manager/Finance Director



Charles W. Hartgrove
Town Manager

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ashland, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of June 30, 2011, and the changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Ashland, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011, on our consideration of the Town of Ashland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashland, Virginia's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections 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.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
November 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ashland, Virginia, 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, 2011. Please read it in conjunction with the transmittal letter at the front of this report and with the Town's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

< The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$23,925,980 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources of \$474,495 (Exhibit 5).

< As of the close of the current fiscal year; the Town's funds reported ending fund balances of \$6,833,183, a decrease of \$474,495 in comparison with the prior year.

< At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,870,915, or 57% of total general fund expenditures and other uses.

< The combined long-term obligations decreased \$157,904 during the current fiscal year.

Overview of the Financial Statements

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

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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 of Ashland, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town fall under the category of governmental funds.

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of financial statements for the discretely presented component unit - Economic Development Authority. The Authority does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$23,925,980 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Assets:

<u>Town of Ashland, Virginia's Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 7,352,637	\$ 7,677,750
Capital assets	<u>17,296,199</u>	<u>16,793,729</u>
Total assets	<u>\$ 24,648,836</u>	<u>\$ 24,471,479</u>
Current liabilities	\$ 353,429	\$ 190,357
Long-term liabilities outstanding	<u>369,427</u>	<u>527,331</u>
Total liabilities	<u>\$ 722,856</u>	<u>\$ 717,688</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 17,217,258	\$ 16,675,804
Restricted for:		
Unrestricted	<u>6,708,722</u>	<u>7,077,987</u>
Total net assets	<u>\$ 23,925,980</u>	<u>\$ 23,753,791</u>

Government-wide Financial Analysis (Continued)

The Town's net assets increased by \$101,989 during the current fiscal year. The following table summarizes the Town's Statement of Activities:

Town of Ashland, Virginia's Changes in Net Assets		
	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 245,860	\$ 236,684
Operating grants and contributions	1,628,978	1,576,377
General revenues:		
General property taxes	960,473	1,112,194
Other local taxes	3,818,166	4,147,146
Grants and other contributions not restricted	486,050	195,482
Other general revenues	10,587	17,418
Total revenues	\$ 7,150,114	\$ 7,285,301
Expenses:		
General government administration	\$ 1,144,531	\$ 1,079,252
Public safety	2,395,351	2,315,497
Public works	2,876,909	2,915,958
Health and welfare	(3,089)	5,950
Parks, recreation, and cultural	196,264	176,640
Community development	435,808	465,452
Interest and other fiscal charges	2,351	3,460
Total expenses	\$ 7,048,125	\$ 6,962,209
Change in net assets	\$ 101,989	\$ 323,092
Net assets, beginning of year, as restated	23,823,991	23,430,699
Net assets, end of year	\$ 23,925,980	\$ 23,753,791

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported fund balances of \$6,833,183, a decrease of \$474,495 in comparison with the prior year. Approximately 71% of this total amount constitutes unassigned General Fund balance, which is available for spending at the Town's discretion.

The Town Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$1,962,268, all of which was committed for current or future capital projects.

General Fund Budgetary Highlights

The only changes between the original and final General Fund budget was appropriation of additional expenditures in the following departments:

- \$47,557 in public safety expenditures
- \$28,365 in public works expenditures
- \$7,838 in general government expenditures
- \$4,877 in community development expenditures

During the year, revenues exceeded budgetary estimates by \$53,437. Expenditures were less than budgetary estimates by \$841,675, resulting in a positive variance of \$895,112 for net changes in fund balance.

Capital Asset and Long-term Obligations

< Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2011 amounts to \$17,296,199 (net of accumulated depreciation). 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 \$369,427, which included bonded debt of \$78,941 and compensated absences of \$290,486. All of the bonded debt outstanding at June 30, 2011 was backed by the full faith and credit of the Town.

The Town's long-term obligations decreased by \$157,904 during the current fiscal year. The decrease was made up of a decrease in debt outstanding of \$38,984, an increase in the liability for compensated absences of \$27,080, and a decrease in OPEB liability of \$146,000.

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

Economic Factors and Next Year's Budgets and Rates

- < The unemployment rate for the County of Hanover, which includes the Town of Ashland, was 6.0% at June 30, 2011. The Commonwealth of Virginia's unemployment rate was 6.5% as of the same date.
- < Inflationary trends in the region compare favorably to national indexes.

All of these factors were considered in preparing the Town's budget for the 2012 fiscal year.

The fiscal year 2012 budget increased by approximately 3.23%. All tax rates remained unchanged.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Ashland, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government Governmental Activities	Component Unit EDA
ASSETS		
Cash and cash equivalents	\$ 6,847,124	\$ 120,063
Receivables (net of allowance for uncollectibles):		
Taxes receivable	170,077	-
Accounts receivable	214,522	-
Due from other governmental units	120,914	-
Capital assets (net of accumulated depreciation):		
Land and land improvements	2,455,375	-
Buildings and improvements	1,429,435	-
Machinery and equipment	405,237	-
Infrastructure	13,006,152	-
Total assets	\$ 24,648,836	\$ 120,063
LIABILITIES		
Accounts payable	\$ 295,010	\$ -
Performance bonds payable	56,545	-
Accrued interest payable	941	-
Unearned revenue	933	-
Long-term liabilities:		
Due within one year	68,033	-
Due in more than one year	301,394	-
Total liabilities	\$ 722,856	\$ -
NET ASSETS		
Invested in capital assets, net of related debt	\$ 17,217,258	\$ -
Unrestricted (deficit)	6,708,722	120,063
Total net assets	\$ 23,925,980	\$ 120,063

The notes to the financial statements are an integral part of this statement.

Town of Ashland, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions			Capital Grants and Contributions
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,144,531	\$ -	\$ -	\$ -	\$ (1,144,531)	\$ -
Public safety	2,395,351	182,576	216,491	-	(1,996,284)	-
Public works	2,876,909	-	1,407,487	-	(1,469,422)	-
Health and welfare	(3,089)	-	-	-	3,089	-
Parks, recreation, and cultural	196,264	63,284	-	-	(132,980)	-
Community development	435,808	-	5,000	-	(430,808)	-
Interest on long-term debt	2,351	-	-	-	(2,351)	-
Total governmental activities	\$ 7,048,125	\$ 245,860	\$ 1,628,978	\$ -	\$ (5,173,287)	\$ -
Total primary government	\$ 7,048,125	\$ 245,860	\$ 1,628,978	\$ -	\$ (5,173,287)	\$ -
COMPONENT UNIT:						
Economic development authority	\$ 26,044	\$ 26,459	\$ -	\$ -	\$ -	\$ 415
Total component unit	\$ 26,044	\$ 26,459	\$ -	\$ -	\$ -	\$ 415
General revenues:						
General property taxes					\$ 960,473	\$ -
Local sales and use taxes					338,717	-
Business license taxes					434,134	-
Hotel and motel room taxes					451,943	-
Restaurant food taxes					1,769,105	-
Other local taxes					824,267	-
Unrestricted revenues from use of money and property					27,958	604
Miscellaneous					(17,371)	-
Grants and contributions not restricted to specific programs					486,050	-
Total general revenues					\$ 5,275,276	\$ 604
Change in net assets					101,989	1,019
Net assets - beginning, as restated					\$ 23,823,991	\$ 119,044
Net assets - ending					\$ 23,925,980	\$ 120,063

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**Town of Ashland, Virginia
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,723,267	\$ 2,123,857	\$ 6,847,124
Receivables (net of allowance for uncollectibles):			
Taxes receivable	170,077	-	170,077
Accounts receivable	214,522	-	214,522
Due from other governmental units	120,914	-	120,914
Total assets	<u>\$ 5,228,780</u>	<u>\$ 2,123,857</u>	<u>\$ 7,352,637</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 133,421	\$ 161,589	\$ 295,010
Performance bond payable	56,545	-	56,545
Deferred revenue	167,899	-	167,899
Total liabilities	<u>\$ 357,865</u>	<u>\$ 161,589</u>	<u>\$ 519,454</u>
Fund balances:			
Committed to:			
Capital projects	\$ -	\$ 1,962,268	\$ 1,962,268
Unassigned fund balance	<u>\$ 4,870,915</u>	<u>\$ -</u>	<u>\$ 4,870,915</u>
Total fund balances	<u>\$ 4,870,915</u>	<u>\$ 1,962,268</u>	<u>\$ 6,833,183</u>
Total liabilities and fund balances	<u>\$ 5,228,780</u>	<u>\$ 2,123,857</u>	<u>\$ 7,352,637</u>

The notes to the financial statements are an integral part of this statement.

Town of Ashland, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2011

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 6,833,183	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			17,296,199
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred revenue related to property taxes			166,966
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:			
General obligation bonds	\$ (78,941)		
Compensated absences	(290,486)		
Accrued interest payable	(941)	(370,368)	
Net assets of governmental activities		<u>\$ 23,925,980</u>	

The notes to the financial statements are an integral part of this statement.

Town of Ashland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 974,627	\$ -	\$ 974,627
Other local taxes	3,818,166	-	3,818,166
Permits, privilege fees, and regulatory licenses	37,309	-	37,309
Fines and forfeitures	145,267	-	145,267
Revenue from the use of money and property	23,751	4,207	27,958
Charges for services	63,284	-	63,284
Miscellaneous	(17,371)	-	(17,371)
Recovered costs	4,543	25,000	29,543
Intergovernmental revenues:			
Commonwealth	2,090,328	-	2,090,328
Federal	24,700	-	24,700
Total revenues	<u>\$ 7,164,604</u>	<u>\$ 29,207</u>	<u>\$ 7,193,811</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,038,230	\$ -	\$ 1,038,230
Public safety	2,184,073	-	2,184,073
Public works	2,365,844	-	2,365,844
Parks, recreation, and cultural	137,974	-	137,974
Community development	410,881	-	410,881
Nondepartmental	128,400	-	128,400
Capital projects	-	1,361,105	1,361,105
Debt service:			
Principal retirement	38,984	-	38,984
Interest and other fiscal charges	2,815	-	2,815
Total expenditures	<u>\$ 6,307,201</u>	<u>\$ 1,361,105</u>	<u>\$ 7,668,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 857,403</u>	<u>\$ (1,331,898)</u>	<u>\$ (474,495)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 901,167	\$ 901,167
Transfers out	(901,167)	-	(901,167)
Total other financing sources (uses)	<u>\$ (901,167)</u>	<u>\$ 901,167</u>	<u>\$ -</u>
Net change in fund balances	\$ (43,764)	\$ (430,731)	\$ (474,495)
Fund balances - beginning	4,914,679	2,392,999	7,307,678
Fund balances - ending	<u>\$ 4,870,915</u>	<u>\$ 1,962,268</u>	<u>\$ 6,833,183</u>

The notes to the financial statements are an integral part of this statement.

Town of Ashland, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds \$ (474,495)

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 expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 1,145,407	
Depreciation expense	<u>(642,937)</u>	502,470

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of changes in deferred taxes. (14,154)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. A summary of items supporting this adjustment is as follows:

Principal retirement on general obligation bonds		38,984
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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. The following is a summary of items supporting this adjustment:

Increase in accrued leave	\$ (27,080)	
Decrease in OPEB liability	75,800	
Decrease in interest payable	<u>464</u>	49,184

Change in net assets of governmental activities		<u>\$ 101,989</u>
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The notes to the financial statements are an integral part of this statement.

Town of Ashland, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	\$ 149,054
Total assets	<u>\$ 149,054</u>
NET ASSETS	
Held in trust for OPEB benefits	\$ 149,054
Total net assets	<u>\$ 149,054</u>
Total liabilities and net assets	<u>\$ 149,054</u>

The notes to the financial statements are an integral part of this statement.

Town of Ashland, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 128,400
Gain (loss) on investments	22,654
Total additions	\$ 151,054
DEDUCTIONS	
Administrative fees	\$ 2,000
Change in net assets	149,054
Net assets - beginning	\$ -
Net assets - ending	\$ 149,054

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ASHLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2011

Note 1—Summary of Significant Accounting Policies:

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 of Ashland, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Note 1—Summary of Significant Accounting Policies: (Continued)

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Ashland (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. 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 government.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit. The Town has no blended component units at June 30, 2011.

The Town of Ashland's Economic Development Authority (EDA) was created by the 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 six of the members of the Authority's Board of Directors. The Town Manager serves as the Secretary of the Authority. The Town may significantly influence the fiscal affairs of the Authority. The Economic Development Authority does not issue separate financial statements. The financial statements of the Economic Development Authority are presented as a discrete presentation of the Town's financial statements for the fiscal year ended June 30, 2011.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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 when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds.

- a. The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund.
- b. The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

2. Fiduciary Funds (Trust and Agency Funds)

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 include Trust Funds. These funds utilize the modified accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

OPEB Trust Fund

Accounts for activities of the Town's other post-employment benefits (OPEB). This fund accumulates resources for health insurance for retired employees.

D. 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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

E. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Investments maturing in three months or less of the date acquired are reported in the accompanying financial statements as cash and cash equivalents.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$44,060 at June 30, 2011 and is comprised solely of property taxes.

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Receivables and Payables (Continued)

Real and Personal Property Tax Data:

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

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

The Town bills and collects its own property taxes.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Furniture, Vehicles, and Office Equipment	5-10
Infrastructure	20-40

H. Compensated Absences

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

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The Town's policy is to fund pension cost as it accrues.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

L. 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. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Fund Equity (Continued)

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in 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.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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 and uses.

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Capital Projects Fund
Fund balances:		
Committed to:		
Capital projects	\$ -	\$ 1,962,268
Total committed fund balance	\$ -	\$ 1,962,268
Unassigned fund balance	\$ 4,870,915	\$ -
Total fund balances	\$ 4,870,915	\$ 1,962,268

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before May 1st, 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 generally accepted accounting principles (GAAP).
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, 2011, 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 adopted budget.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2011.

Note 3—Deposits and Investments:

Deposits

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

Note 3—Deposits and Investments: (Continued)

Investments

Statutes authorize the Town to invest in obligations of the United States or 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, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town does not have a formal investment policy.

Custodial Credit Risk (Investments)

The Town’s investments at June 30, 2011 were held by the Town or in the Town’s name by the Town’s custodial banks; except \$149,054 of the OPEB Trust where the underlying securities were uninsured and held by the investment’s counterparty, not in the name of the Town.

Credit Risk of Debt Securities

The Town’s rated debt investments as of June 30, 2011 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings		
	AAA	AAAm	Unrated
Local Government Investment Pool	\$ -	\$ 5,308,791	\$ -
Repurchase Agreements - Underlying:			
Mortgage Securities	1,210,545	-	-
VML/VACO Pooled OPEB Trust	-	-	149,054
Total	\$ 1,210,545	\$ 5,308,791	\$ 149,054

Interest Rate Risk

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year
Repurchase Agreements - Underlying:		
Mortgage Securities	\$ 1,210,545	\$ 1,210,545
Total	\$ 1,210,545	\$ 1,210,545

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due to/from Other Governments:

At June 30, 2011, the Town has receivables from other governments as follows:

	<u>Primary Government</u>
Other Local Governments:	
County of Hanover	\$ 74,237
Commonwealth of Virginia:	
Rolling stock tax	245
Mobile home titling tax	932
Fire programs	2,180
Communications tax	<u>43,320</u>
Total due from other governments	<u><u>\$ 120,914</u></u>

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011:

Primary Government:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,161,117	\$ 294,258	\$ -	\$ 2,455,375
Total capital assets not subject to depreciation	<u>\$ 2,161,117</u>	<u>\$ 294,258</u>	<u>\$ -</u>	<u>\$ 2,455,375</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 2,428,466	\$ -	\$ 19,549	\$ 2,408,917
Machinery and equipment	2,092,809	210,697	42,753	2,260,753
Infrastructure	16,059,385	640,452	-	16,699,837
Total capital assets subject to depreciation	<u>\$ 20,580,660</u>	<u>\$ 851,149</u>	<u>\$ 62,302</u>	<u>\$ 21,369,507</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 913,349	\$ 85,682	\$ 19,549	\$ 979,482
Machinery and equipment	1,786,181	112,088	42,753	1,855,516
Infrastructure	3,248,518	445,167	-	3,693,685
Total accumulated depreciation	<u>\$ 5,948,048</u>	<u>\$ 642,937</u>	<u>\$ 62,302</u>	<u>\$ 6,528,683</u>
Total capital assets subject to depreciation, net	<u>\$ 14,632,612</u>	<u>\$ 208,212</u>	<u>\$ -</u>	<u>\$ 14,840,824</u>
Governmental activities capital assets, net	<u><u>\$ 16,793,729</u></u>	<u><u>\$ 502,470</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,296,199</u></u>

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:	
General government	\$ 26,072
Public safety	63,230
Public works	492,333
Parks, recreation and cultural	58,290
Community development	3,012
	<u>3,012</u>
Total depreciation expense - governmental activities	<u><u>\$ 642,937</u></u>

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government Obligations:		
General Fund	\$ -	\$ 901,167
Capital Projects Fund	901,167	-
	<u>901,167</u>	<u>-</u>
Total	<u>\$ 901,167</u>	<u>\$ 901,167</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 7—Long Term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2011:

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Primary Government Obligations:					
General Fund Obligations:					
Compensated absences payable	\$ 263,406	\$ 53,421	\$ 26,341	\$ 290,486	\$ 29,049
General obligation bond	117,925	-	38,984	78,941	38,984
OPEB liability	75,800	133,590	209,390	-	-
	<u>457,131</u>	<u>187,011</u>	<u>274,715</u>	<u>369,427</u>	<u>68,033</u>
Total General Fund Obligations	<u>\$ 457,131</u>	<u>\$ 187,011</u>	<u>\$ 274,715</u>	<u>\$ 369,427</u>	<u>\$ 68,033</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	General Obligation Bond	
	Principal	Interest
2012	\$ 200,000	\$ 8,723
2013	205,000	2,932
Less: County of Hanover's Portion	<u>(326,059)</u>	<u>(9,383)</u>
Total	<u>\$ 78,941</u>	<u>\$ 2,272</u>

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Long Term Obligations: (Continued)

Long-Term Obligations:

	<u>Total Amount</u>
<i>General Obligation Bond:</i>	
\$2,470,000 General Obligation Public Improvement and Refunding Bonds issued in 2002, due annually with interest payable semi-annually at 2.85%, through August 1, 2012.	\$ 405,000
Less: Portion paid by County of Hanover	(326,059)
Total General Obligation Bonds	<u>\$ 78,941</u>
Compensated absences (payable from General Fund)	<u>\$ 290,486</u>
Total Long-Term Obligations, General Fund	<u><u>\$ 369,427</u></u>

On January 11, 1995, the Town and County of Hanover, Virginia entered into an Agreement of Purchase and Sale of the Town's water and sewer system effective January 1, 1996 (see Note 6). Under the agreement the County agreed to pay the Town all principal and interest due on outstanding amounts borrowed and expended by the Town, prior to January 11, 1995, for improvements to the system. During the fiscal year ended June 30, 2011, \$172,644 was received from the County. The amounts expected to be received for each of the Town's fiscal years ending June 30 for principal and interest are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 161,017	\$ 7,023
2013	165,042	2,360
Total	<u><u>\$ 326,059</u></u>	<u><u>\$ 9,383</u></u>

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$167,899 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$166,966 at June 30, 2011.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$933 at June 30, 2011.

Note 9—Litigation:

At June 30, 2011, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 10—Self Insurance / Risk Management:

The Town had no reductions in insurance coverage from the prior year. There were no settlements which exceeded insurance coverage in the past three years.

Employee Health Insurance

The Town has contracted with private carriers to administer this activity. Accounting for these activities is made in the General Fund. The health insurance plans are fully insured. The Town has no liability for claims incurred but not reported.

Unemployment Insurance

The Town is fully self-insured for unemployment claims. The Virginia Employment Commission bills the entities for all unemployment claims. The liability for billed but unpaid claims has been accrued in the General Fund. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

Property and Casualty Insurance

The Town contracts with the Virginia Municipal Liability Pool and private insurance carriers to provide coverage for property damage, employee crime and dishonesty, and general liability. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, 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 property coverage is for specific amounts based on values assigned to the insured properties.

The Town also contracts with the Virginia Municipal League Pool for its workers compensation coverage.

Note 11 – Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

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

Note 11 – Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

A. Plan Description (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at <http://varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. The Town currently assumes the employees’ portion. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended 2011 was 9.58% of annual covered payroll.

Primary Government: (Continued)

C. Annual Pension Cost

For fiscal year 2011, the Town’s annual pension cost of \$401,245 (which includes the portion of the employee share assumed by the employer which was \$137,601) was equal to the Town’s required and actual contributions.

Three-Year Trend Information for the Town

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
Town:			
June 30, 2011	\$ 263,644	100%	\$ -
June 30, 2010	227,075	100%	-
June 30, 2009	232,305	100%	-

(1) Employer portion only

Note 11 – Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

C. Annual Pension Cost (Continued)

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 83.56% funded. The actuarial accrued liability for benefits was \$10,767,021, and the actuarial value of assets was \$8,997,158, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,769,863. The covered payroll (annual payroll of active employees covered by the plan) was \$2,761,399, and ratio of the UAAL to the covered payroll was 64.09%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 12– Trust for Other Post-Employment Benefits:

The Town of Ashland 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 Post-Employment Benefits (OPEB) 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 ending June 30, 2011 the Town contributed \$128,400 to the Trust Fund. Expenses allocated to the Trust Fund during the fiscal year ended June 30, 2011 totaled \$2,000. The Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League ("VML") at P.O. Box 12164, Richmond, Virginia 23241.

Note 13-Postemployment Benefits Other Than Pensions:

A. Plan Description

The Town allows retirees who are eligible to retire with a pension benefit from the Virginia Retirement 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.

B. Funding Policy

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

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

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

C. Annual OPEB Cost and Net OPEB Obligation

In accordance with GASB Statement No. 45, an actuarial study was performed calculating the postemployment healthcare costs as of June 30, 2011. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability ("UAAL") at \$1,224,200 and an Annual Required Contribution ("ARC") of \$131,000. The annual cost of other post employment benefits (OPEB) under GASB 45 is the Annual Required Contribution (ARC). The Town contributed \$128,400 to a Trust Fund to fund the ARC. The Town elected to pre-fund OPEB liabilities. The Town is contributing the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The thirty year amortization period is open.

For 2011, the Town's cash payment of \$209,390 was more than the annual pension costs. The Town's annual OPEB cost, the contributions made, and the decrease in net OPEB obligation as well as the net OPEB obligation for 2011 are as follows:

	<u>TOWN</u>
Annual required contribution	\$ 131,000
Interest on net OPEB obligation	5,685
Adjustment to annual required contribution	(3,095)
Annual OPEB cost (expense)	\$ 133,590
Contributions made	(209,390)
Decrease in net OPEB obligation	(75,800)
Net OPEB obligation-beginning of year, as restated	75,800
Net OPEB obligation-end of year	\$ -

Note 13-Postemployment Benefits Other Than Pensions: (Continued)

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 133,590	156.74%	\$ -
6/30/2010	196,600	25.74%	146,000

D. Funded Status and Funding Progress

As of July 1, 2009, the Town's actuarial accrued liability for benefits was \$1,224,200, all of which was unfunded. As of June 30, 2011, the liability was funded by the Town in the amount of \$149,054. The covered payroll (annual payroll of active employees covered by the plan) was \$3,059,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.14%.

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

E. Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2011 using Scale AA.

Note 13-Postemployment Benefits Other Than Pensions: (Continued)

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

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was thirty years.

Note 14 –Surety Bonds:

	<u>Amount</u>
Virginia Municipal Group:	
Charles W. Hartgrove, Town Manager	\$ 300,000
Joshua Farrar, Deputy Town Manager	300,000
All Town employees - blanket bond (each)	150,000

Note 15 –Deferred Compensation Plan:

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The Town will match one-half of the employee's contribution to a maximum Town contribution of two percent. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts currently or thereafter held under the Plan, including amounts deferred and earnings or other accumulations attributable thereto, shall be held for the exclusive benefit of Plan participants and beneficiaries in annuity contracts, or in trust or in one or more custodial accounts pursuant to one or more separate written instruments.

Investments are managed by the plan's trustee under one of five investment options, or a combination thereof. The choice of the investment option is made solely by the participants.

In August 1996, Congress amended its Internal Revenue Code Section 457 to require that the assets of deferred compensation plans be placed in a trust for the exclusive benefit of participants and their beneficiaries. The Town amended its plan and as a result it no longer exercises significant management responsibilities. Therefore, the Town's financial statements no longer report plan assets.

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 16 – Town/County Agreement:

On January 11, 1995, a voluntary settlement agreement between the Hanover County Board of Supervisors and the Ashland Town Council was ratified that addressed several major issues impacting Town/County residents. The Agreement authorized the Town to annex approximately 3.1 square miles of contiguous area which is primarily commercial or industrial in nature, and provided for an additional level of development regulations in an additional six square mile area around the Town.

Under the Agreement, the Town transferred ownership of its water and sewer system to Hanover County on January 1, 1996. The Town shares responsibility with the County of Hanover for all related debt service payments (see Note 7), while the County of Hanover is responsible for maintenance and operation of the system within Ashland, for continued employment of all Town utility personnel, and guaranteeing continued service capacity within the Town as it is required. The Town will retain control over the extension of new water and sewer service within its boundaries.

Note 17 – Adjustment to Beginning Net Assets:

The following adjustment was made to beginning net assets at July 1, 2010:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 23,753,791
Increase due to Town opting to fully fund OPEB liability rather than leaving it unfunded	<u>70,200</u>
Net assets as restated	<u><u>\$ 23,823,991</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Town of Ashland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 958,800	\$ 958,800	\$ 974,627	\$ 15,827
Other local taxes	3,679,000	3,679,000	3,818,166	139,166
Permits, privilege fees, and regulatory licenses	31,400	31,400	37,309	5,909
Fines and forfeitures	123,500	123,500	145,267	21,767
Revenue from the use of money and property	22,000	22,000	23,751	1,751
Charges for services	50,000	50,000	63,284	13,284
Miscellaneous	15,000	15,000	(17,371)	(32,371)
Recovered costs	176,444	176,444	4,543	(171,901)
Intergovernmental revenues:				
Commonwealth	2,030,023	2,030,023	2,090,328	60,305
Federal	25,000	25,000	24,700	(300)
Total revenues	\$ 7,111,167	\$ 7,111,167	\$ 7,164,604	\$ 53,437
EXPENDITURES				
Current:				
General government administration	\$ 1,077,773	\$ 1,085,611	\$ 1,038,230	\$ 47,381
Public safety	2,222,991	2,270,548	2,184,073	86,475
Public works	2,814,819	2,843,184	2,365,844	477,340
Parks, recreation, and cultural	122,207	122,207	137,974	(15,767)
Community development	481,605	486,482	410,881	75,601
Nondepartmental	126,400	126,400	128,400	(2,000)
Debt service:				
Principal retirement	200,001	200,001	38,984	161,017
Interest and other fiscal charges	14,443	14,443	2,815	11,628
Total expenditures	\$ 7,060,239	\$ 7,148,876	\$ 6,307,201	\$ 841,675
Excess (deficiency) of revenues over (under) expenditures	\$ 50,928	\$ (37,709)	\$ 857,403	\$ 895,112
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (437,643)	\$ (437,643)	\$ (901,167)	\$ (463,524)
Total other financing sources and uses	\$ (437,643)	\$ (437,643)	\$ (901,167)	\$ (463,524)
Net change in fund balances	\$ (386,715)	\$ (475,352)	\$ (43,764)	\$ 431,588
Fund balances - beginning	386,715	475,352	4,914,679	4,439,327
Fund balances - ending	\$ -	\$ -	\$ 4,870,915	\$ 4,870,915

Town of Ashland, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2011

Actuarial Valuation Date (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4) / (6) (7)
6/30/2010	\$ 8,997,158	\$ 10,767,021	\$ 1,769,863	83.56%	2,761,399	64.09%
6/30/2009	8,786,734	9,772,407	985,673	89.91%	2,962,677	33.27%
6/30/2008	8,483,535	8,847,929	364,394	95.88%	2,813,192	12.95%
6/30/2007	7,534,907	7,826,611	291,704	96.27%	2,526,711	11.54%
6/30/2006	6,516,680	6,653,611	136,931	97.94%	2,323,650	5.89%
6/30/2005	5,898,360	6,332,884	434,524	93.14%	1,977,605	21.97%
6/30/2004	5,586,920	6,391,734	804,814	87.41%	2,071,889	38.84%
6/30/2003	5,326,194	5,582,090	255,896	95.42%	1,689,493	15.15%
6/30/2002	5,037,451	5,174,956	137,505	97.34%	1,819,267	7.56%
6/30/2001	4,716,018	4,674,653	(41,365)	100.88%	1,647,638	-2.51%

Town of Ashland, Virginia
Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2011

Valuation Date	Actuarial Value of Assets (AVA)* (a)	Actuarial Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
Town 7/1/2009	\$ 149,054	\$ 1,224,200	\$ 1,075,146	12.18%	\$ 3,059,500	35.14%

*This amount reflects contributions to the OPEB trust fund by the Town.

OTHER SUPPLEMENTARY INFORMATION

Town of Ashland, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 29,444	\$ 29,444	\$ 4,207	\$ (25,237)
Recovered costs	-	-	25,000	25,000
Total revenues	\$ 29,444	\$ 29,444	\$ 29,207	\$ (237)
EXPENDITURES				
Capital projects	\$ 2,537,258	\$ 2,959,906	\$ 1,361,105	\$ 1,598,801
Total expenditures	\$ 2,537,258	\$ 2,959,906	\$ 1,361,105	\$ 1,598,801
Excess (deficiency) of revenues over (under) expenditures	\$ (2,507,814)	\$ (2,930,462)	\$ (1,331,898)	\$ 1,598,564
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 437,643	\$ 437,643	\$ 901,167	\$ 463,524
Total other financing sources and uses	\$ 437,643	\$ 437,643	\$ 901,167	\$ 463,524
Net change in fund balances	\$ (2,070,171)	\$ (2,492,819)	\$ (430,731)	\$ 2,062,088
Fund balances - beginning	2,070,171	2,492,819	2,392,999	(99,820)
Fund balances - ending	\$ -	\$ -	\$ 1,962,268	\$ 1,962,268

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

Town of Ashland, Virginia
Statement of Net Assets
Discretely Presented Component Unit-Economic Development Authority
June 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 120,063
Total assets	<u>\$ 120,063</u>

NET ASSETS

Unrestricted	<u>\$ 120,063</u>
Total net assets	<u><u>\$ 120,063</u></u>

Town of Ashland, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit-Economic Development Authority
For the Year Ended June 30, 2011

OPERATING REVENUES

Charges for services:

Miscellaneous	\$ 26,459
Total operating revenues	\$ 26,459

OPERATING EXPENSES

Other supplies and expenses	\$ 26,044
Total operating expenses	\$ 26,044

Operating income (loss)	\$ 415
-------------------------	--------

NONOPERATING REVENUES (EXPENSES)

Investment earnings	\$ 604
Total nonoperating revenues (expenses)	\$ 604

Change in net assets	\$ 1,019
----------------------	----------

Total net assets - beginning	\$ 119,044
Total net assets - ending	\$ 120,063

Town of Ashland, Virginia
Statement of Cash Flows
Discretely Presented Component Unit-Economic Development Authority
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for miscellaneous items	\$ 26,459
Payments for operating activities	(26,044)
Net cash provided (used) by operating activities	<u>\$ 415</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	<u>\$ 604</u>
Net cash provided (used) by investing activities	<u>\$ 604</u>

Net increase (decrease) in cash and cash equivalents	\$ 1,019
--	----------

Cash and cash equivalents - beginning	<u>119,044</u>
Cash and cash equivalents - ending	<u><u>\$ 120,063</u></u>

SUPPORTING SCHEDULES

Town of Ashland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 1 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 600,000	\$ 600,000	\$ 645,551	\$ 45,551
Real and personal public service corporation taxes	45,000	45,000	25,751	(19,249)
Personal property taxes	275,000	275,000	256,477	(18,523)
Mobile home taxes	1,800	1,800	1,401	(399)
Machinery and tools taxes	15,000	15,000	20,533	5,533
Penalties	15,000	15,000	15,932	932
Interest	7,000	7,000	8,982	1,982
Total general property taxes	<u>\$ 958,800</u>	<u>\$ 958,800</u>	<u>\$ 974,627</u>	<u>\$ 15,827</u>
Other local taxes:				
Local sales and use taxes	\$ 323,000	\$ 323,000	\$ 338,717	\$ 15,717
Consumers' utility taxes	115,000	115,000	112,095	(2,905)
Consumption tax	36,000	36,000	44,451	8,451
Business license taxes	375,000	375,000	434,134	59,134
Motor vehicle licenses	135,000	135,000	123,063	(11,937)
Bank stock taxes	125,000	125,000	235,104	110,104
Cigarette tax	280,000	280,000	309,554	29,554
Hotel and motel room taxes	500,000	500,000	451,943	(48,057)
Restaurant food taxes	1,790,000	1,790,000	1,769,105	(20,895)
Total other local taxes	<u>\$ 3,679,000</u>	<u>\$ 3,679,000</u>	<u>\$ 3,818,166</u>	<u>\$ 139,166</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 31,400	\$ 31,400	\$ 37,309	\$ 5,909
Total permits, privilege fees, and regulatory licenses	<u>\$ 31,400</u>	<u>\$ 31,400</u>	<u>\$ 37,309</u>	<u>\$ 5,909</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 123,500	\$ 123,500	\$ 145,267	\$ 21,767
Total fines and forfeitures	<u>\$ 123,500</u>	<u>\$ 123,500</u>	<u>\$ 145,267</u>	<u>\$ 21,767</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 8,000	\$ 7,056	\$ (944)
Revenue from use of property	14,000	14,000	16,695	2,695
Total revenue from use of money and property	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 23,751</u>	<u>\$ 1,751</u>
Charges for services:				
Charges for parks and recreation	\$ 50,000	\$ 50,000	\$ 63,284	\$ 13,284
Total charges for services	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 63,284</u>	<u>\$ 13,284</u>
Miscellaneous revenue:				
Miscellaneous	\$ 15,000	\$ 15,000	\$ (17,371)	\$ (32,371)
Total miscellaneous revenue	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ (17,371)</u>	<u>\$ (32,371)</u>
Recovered costs:				
County of Hanover	\$ 172,644	\$ 172,644	\$ 2,697	\$ (169,947)
RMC lighting	-	-	1,846	1,846
Other	3,800	3,800	-	(3,800)
Total recovered costs	<u>\$ 176,444</u>	<u>\$ 176,444</u>	<u>\$ 4,543</u>	<u>\$ (171,901)</u>
Total revenue from local sources	<u>\$ 5,056,144</u>	<u>\$ 5,056,144</u>	<u>\$ 5,049,576</u>	<u>\$ (6,568)</u>

Town of Ashland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 2 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 7,000	\$ 7,000	\$ 6,926	\$ (74)
Rolling stock tax	10,225	10,225	10,119	(106)
Auto rental tax	79,000	79,000	72,764	(6,236)
Communications tax	300,000	300,000	284,467	(15,533)
Personal property tax relief funds	111,774	111,774	111,774	-
Total noncategorical aid	<u>\$ 507,999</u>	<u>\$ 507,999</u>	<u>\$ 486,050</u>	<u>\$ (21,949)</u>
Categorical aid:				
Streets and highway maintenance	\$ 1,330,024	\$ 1,330,024	\$ 1,404,399	\$ 74,375
DJCP grants for law enforcement	171,322	171,322	171,336	14
Fire programs	18,000	18,000	19,112	1,112
Litter control	2,678	2,678	3,088	410
Local law enforcement block grant	-	-	6,343	6,343
Total categorical aid	<u>\$ 1,522,024</u>	<u>\$ 1,522,024</u>	<u>\$ 1,604,278</u>	<u>\$ 82,254</u>
Total revenue from the Commonwealth	<u>\$ 2,030,023</u>	<u>\$ 2,030,023</u>	<u>\$ 2,090,328</u>	<u>\$ 60,305</u>
Revenue from the federal government:				
Other categorical aid:				
Bulletproof vest grant	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Transportation safety	20,000	20,000	19,700	(300)
Arts grant	-	-	5,000	5,000
Justice assistance grant	3,500	3,500	-	(3,500)
Total other categorical aid	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 24,700</u>	<u>\$ (300)</u>
Total revenue from the federal government	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 24,700</u>	<u>\$ (300)</u>
Total General Fund	<u>\$ 7,111,167</u>	<u>\$ 7,111,167</u>	<u>\$ 7,164,604</u>	<u>\$ 53,437</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 29,444	\$ 29,444	\$ 4,207	\$ (25,237)
Recovered costs:				
East Ashland proffer	\$ -	\$ -	\$ 25,000	\$ 25,000
Total revenue from local sources	<u>\$ 29,444</u>	<u>\$ 29,444</u>	<u>\$ 29,207</u>	<u>\$ (237)</u>
Total Capital Projects Fund	<u>\$ 29,444</u>	<u>\$ 29,444</u>	<u>\$ 29,207</u>	<u>\$ (237)</u>
Grand Total Revenues -- Primary Government	<u>\$ 7,140,611</u>	<u>\$ 7,140,611</u>	<u>\$ 7,193,811</u>	<u>\$ 53,200</u>

Town of Ashland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 2
Page 1 of 2

<u>Fund, Major and Minor Expenditure Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 35,038	\$ 35,038	\$ 27,575	\$ 7,463
General and financial administration:				
Town Manager	\$ 541,812	\$ 545,481	\$ 522,596	\$ 22,885
Tourism	119,725	121,467	139,136	(17,669)
Treasurer	275,698	278,125	271,682	6,443
Information Technology	105,500	105,500	77,241	28,259
Total general and financial administration	<u>\$ 1,042,735</u>	<u>\$ 1,050,573</u>	<u>\$ 1,010,655</u>	<u>\$ 39,918</u>
Total general government administration	<u>\$ 1,077,773</u>	<u>\$ 1,085,611</u>	<u>\$ 1,038,230</u>	<u>\$ 47,381</u>
Public safety:				
Law enforcement and traffic control:				
Police	\$ 2,192,230	\$ 2,239,787	\$ 2,154,961	\$ 84,826
Fire and rescue services:				
Fire department	\$ 25,761	\$ 25,761	\$ 24,112	\$ 1,649
Ambulance and rescue services	5,000	5,000	5,000	-
Total fire and rescue services	<u>\$ 30,761</u>	<u>\$ 30,761</u>	<u>\$ 29,112</u>	<u>\$ 1,649</u>
Total public safety	<u>\$ 2,222,991</u>	<u>\$ 2,270,548</u>	<u>\$ 2,184,073</u>	<u>\$ 86,475</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering/Administration	\$ 593,318	\$ 602,369	\$ 566,255	\$ 36,114
Street maintenance	1,388,308	1,402,671	1,007,671	395,000
Storm drainage	19,000	19,000	22,135	(3,135)
Snow and ice removal	32,000	32,000	31,817	183
Traffic engineering	58,500	58,500	54,118	4,382
Streetlights	40,000	40,000	46,195	(6,195)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 2,131,126</u>	<u>\$ 2,154,540</u>	<u>\$ 1,728,191</u>	<u>\$ 426,349</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 358,000	\$ 358,000	\$ 330,879	\$ 27,121
Maintenance of general buildings and grounds:				
General properties	\$ 177,225	\$ 179,700	\$ 161,421	\$ 18,279
Vehicle Maintenance				
	<u>\$ 148,468</u>	<u>\$ 150,944</u>	<u>\$ 145,353</u>	<u>\$ 5,591</u>
Total public works	<u>\$ 2,814,819</u>	<u>\$ 2,843,184</u>	<u>\$ 2,365,844</u>	<u>\$ 477,340</u>

Town of Ashland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

<u>Fund, Major and Minor Expenditure Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:(Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 122,207	\$ 122,207	\$ 137,974	\$ (15,767)
Community development:				
Planning and community development:				
Planning and zoning	\$ 356,016	\$ 360,893	\$ 330,058	\$ 30,835
Economic development	125,589	125,589	80,823	44,766
Total planning and community development	<u>\$ 481,605</u>	<u>\$ 486,482</u>	<u>\$ 410,881</u>	<u>\$ 75,601</u>
Total community development	<u>\$ 481,605</u>	<u>\$ 486,482</u>	<u>\$ 410,881</u>	<u>\$ 75,601</u>
Nondepartmental:				
Contribution to fund OPEB	\$ 126,400	\$ 126,400	\$ 128,400	\$ (2,000)
Total nondepartmental	<u>\$ 126,400</u>	<u>\$ 126,400</u>	<u>\$ 128,400</u>	<u>\$ (2,000)</u>
Debt service:				
Principal retirement	\$ 200,001	\$ 200,001	\$ 38,984	\$ 161,017
Interest and other fiscal charges	14,443	14,443	2,815	11,628
Total debt service	<u>\$ 214,444</u>	<u>\$ 214,444</u>	<u>\$ 41,799</u>	<u>\$ 172,645</u>
Total General Fund	<u><u>\$ 7,060,239</u></u>	<u><u>\$ 7,148,876</u></u>	<u><u>\$ 6,307,201</u></u>	<u><u>\$ 841,675</u></u>
Capital Projects Fund:				
Capital projects expenditures:				
Town Hall improvements	\$ 25,299	\$ 25,072	\$ -	\$ 25,072
Railroad Avenue parking lot	-	294,258	294,258	-
Vehicle replacement - police	-	169,266	169,302	(36)
APD capital expenses	87,643	87,643	175,285	(87,642)
Residential street improvements	472,053	472,055	77,747	394,308
Sidewalks and curbing	462,335	462,334	203,034	259,300
Hill Carter Parkway - ISTEPA	-	-	3,872	(3,872)
Vehicle replacement - public works	305,575	305,575	-	305,575
Drainage improvements	417,792	448,192	410,563	37,629
Route 1 / Ashcake Intersection improvements	24,592	24,592	-	24,592
Trail on North Center Street	20,000	20,000	-	20,000
Relocation of overhead utilities	145,645	145,645	-	145,645
Downtown parking	20,000	20,000	-	20,000
Downtown sidewalks	86,944	86,945	-	86,945
Gateway and wayfinding	153,428	149,853	16,868	132,985
Contingencies	315,952	248,476	10,176	238,300
Total capital projects	<u>\$ 2,537,258</u>	<u>\$ 2,959,906</u>	<u>\$ 1,361,105</u>	<u>\$ 1,598,801</u>
Total Capital Projects Fund	<u><u>\$ 2,537,258</u></u>	<u><u>\$ 2,959,906</u></u>	<u><u>\$ 1,361,105</u></u>	<u><u>\$ 1,598,801</u></u>
Total Primary Government	<u><u>\$ 9,597,497</u></u>	<u><u>\$ 10,108,782</u></u>	<u><u>\$ 7,668,306</u></u>	<u><u>\$ 2,440,476</u></u>

STATISTICAL SECTION

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	5-8
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.	9-12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	13-14
Operating Information These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.	15-16

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

Town of Ashland, Virginia

Net Assets by Component
Last Eight Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 10,435,633	\$ 10,936,147	\$ 12,078,320	\$ 15,626,765	\$ 17,135,185	\$ 17,202,531	\$ 16,675,804	\$ 17,217,258
Restricted	1,614,547	1,656,212	2,318,880	2,907,777	-	-	-	-
Unrestricted	3,765,068	4,122,711	4,506,800	3,851,573	5,973,141	6,228,168	7,077,987	6,708,722
Total governmental activities net assets	<u>\$ 15,815,248</u>	<u>\$ 16,715,070</u>	<u>\$ 18,904,000</u>	<u>\$ 22,386,115</u>	<u>\$ 23,108,326</u>	<u>\$ 23,430,699</u>	<u>\$ 23,753,791</u>	<u>\$ 23,925,980</u>

(1) Accrual Basis financial information for the Town as a whole is only available back to 2004, the year GASB 34 was implemented.

Town of Ashland, Virginia

Changes in Net Assets
Last Eight Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Governmental activities:								
General government administration	\$ 590,022	\$ 648,828	\$ 703,671	\$ 822,305	\$ 1,023,605	\$ 1,080,181	\$ 1,079,252	\$ 1,144,531
Public safety	1,691,700	1,823,269	1,854,281	2,225,167	2,262,606	2,334,043	2,315,497	2,395,351
Public works	1,411,090	2,386,112	2,289,263	2,703,070	3,041,304	2,925,473	2,915,958	2,876,909
Health and welfare	-	-	-	-	-	-	5,950	(3,089)
Parks, recreation and cultural	122,850	133,377	239,301	225,253	208,075	174,949	176,640	196,264
Community development	496,957	481,643	530,371	472,345	508,235	547,544	465,452	435,808
Interest on long-term debt	14,176	8,796	7,552	6,575	5,575	4,520	3,460	2,351
Total governmental activities expenses	\$ 4,326,795	\$ 5,482,025	\$ 5,624,439	\$ 6,454,715	\$ 7,049,400	\$ 7,066,710	\$ 6,962,209	\$ 7,048,125
Total primary government expenses	\$ 4,326,795	\$ 5,482,025	\$ 5,624,439	\$ 6,454,715	\$ 7,049,400	\$ 7,066,710	\$ 6,962,209	\$ 7,048,125
Program Revenues:								
Governmental activities:								
Charges for services:								
Public safety	\$ 67,690	\$ 25,747	\$ 35,321	\$ 105,552	\$ 135,783	\$ 168,106	\$ 182,895	\$ 182,576
Public works	-	23,250	10,970	-	-	-	-	-
Parks, recreation and cultural	51,267	54,101	59,464	64,878	65,355	62,179	53,789	63,284
Operating grants and contributions	1,491,777	1,638,609	2,565,640	1,431,412	1,468,155	1,599,898	1,576,377	1,628,978
Capital grants and contributions	565,035	22,798	-	2,924,497	876,165	332,763	-	-
Total governmental activities program revenues	\$ 2,175,769	\$ 1,764,505	\$ 2,671,395	\$ 4,526,339	\$ 2,545,458	\$ 2,162,946	\$ 1,813,061	\$ 1,874,838
Total primary government program revenues	\$ 2,175,769	\$ 1,764,505	\$ 2,671,395	\$ 4,526,339	\$ 2,545,458	\$ 2,162,946	\$ 1,813,061	\$ 1,874,838
Net (Expense) / Revenue:								
Governmental activities	\$ (2,151,026)	\$ (3,717,520)	\$ (2,953,044)	\$ (1,928,376)	\$ (4,503,942)	\$ (4,903,764)	\$ (5,149,148)	\$ (5,173,287)
Total primary government net expense	\$ (2,151,026)	\$ (3,717,520)	\$ (2,953,044)	\$ (1,928,376)	\$ (4,503,942)	\$ (4,903,764)	\$ (5,149,148)	\$ (5,173,287)
General Revenues and Other Changes in Net Assets:								
Governmental activities:								
Taxes:								
Property taxes	\$ 700,846	\$ 664,271	\$ 674,320	\$ 824,846	\$ 713,793	\$ 1,016,610	\$ 1,112,194	\$ 960,473
Local sales and use taxes	359,046	417,411	440,046	469,870	484,839	334,098	318,926	338,717
Business licenses taxes	293,386	437,781	531,374	500,578	459,209	467,741	441,166	434,134
Hotel and motel room taxes	522,563	494,132	581,342	594,716	591,906	531,333	480,558	451,943
Restaurant food taxes	1,205,899	1,585,208	1,740,219	1,750,879	1,884,529	1,815,232	1,764,723	1,769,105
Other local taxes	680,385	868,445	987,307	745,668	747,064	750,646	1,141,773	824,267
Unrestricted revenues from use of money and property	60,018	93,786	217,810	282,466	224,211	85,775	32,426	27,958
Miscellaneous	116,839	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)
Unrestricted grants and contributions	204,327	217,038	218,466	227,784	209,491	210,683	195,482	486,050
Gain (loss) on disposal of capital assets	-	(5,280)	-	-	(132,116)	-	-	-
Total governmental activities	\$ 4,143,309	\$ 4,810,889	\$ 5,382,039	\$ 5,410,491	\$ 5,226,152	\$ 5,226,137	\$ 5,472,240	\$ 5,275,276
Total primary government	\$ 4,143,309	\$ 4,810,889	\$ 5,382,039	\$ 5,410,491	\$ 5,226,152	\$ 5,226,137	\$ 5,472,240	\$ 5,275,276
Change in Net Assets:								
Governmental activities	\$ 1,992,283	\$ 1,093,369	\$ 2,428,995	\$ 3,482,115	\$ 722,210	\$ 322,373	\$ 323,092	\$ 101,989
Total primary government	\$ 1,992,283	\$ 1,093,369	\$ 2,428,995	\$ 3,482,115	\$ 722,210	\$ 322,373	\$ 323,092	\$ 101,989

(1) Accrual basis financial information for the Town as a whole is only available back to 2004, the year GASB 34 was implemented.

Town of Ashland, Virginia

Fund Balances of Governmental Funds
Last Nine Fiscal Years (1)
(modified accrual basis of accounting)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
General Fund									
Unreserved	\$ 3,636,499	\$ 3,949,013	\$ 4,290,267	\$ 4,664,398	\$ 3,943,785	\$ 4,020,537	\$ 4,310,763	\$ 4,914,679	\$ -
Unassigned	-	-	-	-	-	-	-	-	4,870,915
Total general fund	<u>\$ 3,636,499</u>	<u>\$ 3,949,013</u>	<u>\$ 4,290,267</u>	<u>\$ 4,664,398</u>	<u>\$ 3,943,785</u>	<u>\$ 4,020,537</u>	<u>\$ 4,310,763</u>	<u>\$ 4,914,679</u>	<u>\$ 4,870,915</u>
All other governmental funds									
Reserved	\$ 2,878,084	\$ 1,614,547	\$ 1,656,212	\$ 2,318,880	\$ 2,907,777	\$ 2,101,370	\$ 2,127,040	\$ 2,392,999	\$ -
Committed	-	-	-	-	-	-	-	-	1,962,268
Total all other governmental funds	<u>\$ 2,878,084</u>	<u>\$ 1,614,547</u>	<u>\$ 1,656,212</u>	<u>\$ 2,318,880</u>	<u>\$ 2,907,777</u>	<u>\$ 2,101,370</u>	<u>\$ 2,127,040</u>	<u>\$ 2,392,999</u>	<u>\$ 1,962,268</u>

(1) Information is only available for last nine years.

Town of Ashland, Virginia

Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
General property taxes	\$ 704,484	\$ 703,906	\$ 642,808	\$ 655,553	\$ 746,254	\$ 770,247	\$ 1,037,166	\$ 979,608	\$ 974,627
Other local taxes	2,676,748	3,061,279	3,609,430	4,040,223	4,061,711	4,167,547	3,899,050	4,147,146	3,818,166
Permits, privilege fees and regulatory licenses	464,125	34,805	23,250	10,970	30,131	46,294	60,361	47,854	37,309
Fines and forfeitures	34,944	32,885	25,747	35,321	75,421	89,489	107,745	135,041	145,267
Revenue from use of money and property	89,344	60,018	93,785	217,810	282,466	224,211	85,775	32,426	27,958
Charges for services	50,561	51,267	54,101	59,464	64,878	65,355	62,179	53,789	63,284
Miscellaneous	486	116,839	38,097	(8,845)	13,684	43,226	14,019	(15,008)	(17,371)
Recovered costs	1,133,053	138,164	26,106	617,957	300,485	131,893	64,733	55,946	29,543
Intergovernmental:									
Local	-	402,500	-	-	-	-	-	-	-
Commonwealth	3,195,159	1,498,404	1,581,375	1,578,683	1,646,159	1,669,652	1,766,533	1,724,707	2,090,328
Federal	10,025	360,235	297,070	1,205,423	2,937,534	884,159	376,811	47,152	24,700
Total revenues	\$ 8,358,929	\$ 6,460,302	\$ 6,391,769	\$ 8,412,559	\$ 10,158,723	\$ 8,092,073	\$ 7,474,372	\$ 7,208,661	\$ 7,193,811
Expenditures									
General government administration	\$ 746,589	\$ 631,586	\$ 634,925	\$ 721,080	\$ 1,158,148	\$ 1,059,054	\$ 1,111,174	\$ 1,031,702	\$ 1,038,230
Public safety	1,578,814	1,688,311	1,793,993	1,798,840	2,238,848	2,260,400	2,222,091	2,188,271	2,184,073
Public works	1,474,805	1,828,199	2,109,254	2,208,547	2,447,839	2,720,737	2,486,865	2,358,561	2,365,844
Parks, recreation and cultural	61,691	80,134	82,707	181,026	172,933	141,123	115,135	117,621	137,974
Community development	440,402	543,920	477,828	521,458	460,483	501,435	489,879	451,049	410,881
Nondepartmental	-	-	-	-	-	-	-	-	128,400
Capital projects	1,846,011	2,380,005	721,860	1,728,983	3,771,095	2,112,901	691,337	150,646	1,361,105
Debt service:									
Principal	790,000	169,578	177,375	175,000	34,111	35,085	37,034	37,034	38,984
Interest and other fiscal charges	221,553	89,592	10,910	40,827	6,982	5,993	4,961	3,902	2,815
Total expenditures	\$ 7,159,865	\$ 7,411,325	\$ 6,008,852	\$ 7,375,761	\$ 10,290,439	\$ 8,836,728	\$ 7,158,476	\$ 6,338,786	\$ 7,668,306
Excess of revenues over (under) expenditures	\$ 1,199,064	\$ (951,023)	\$ 382,917	\$ 1,036,798	\$ (131,716)	\$ (744,655)	\$ 315,896	\$ 869,875	\$ (474,495)
Other financing sources (uses)									
Transfers in	\$ 935,000	\$ 482,557	\$ 415,000	\$ 755,000	\$ 1,128,293	\$ 250,000	\$ 350,000	\$ 410,000	\$ 901,167
Transfers out	(935,000)	(482,557)	(415,000)	(755,000)	(1,128,293)	(250,000)	(350,000)	(410,000)	(901,167)
Refunding bonds issued	2,470,000	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(2,390,000)	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	15,000	-	-	-
Total other financing sources (uses)	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -
Net change in fund balances	\$ 1,279,064	\$ (951,023)	\$ 382,917	\$ 1,036,798	\$ (131,716)	\$ (729,655)	\$ 315,896	\$ 869,875	\$ (474,495)
Debt service as a percentage of noncapital expenditures	19.04%	5.15%	3.56%	3.82%	0.67%	0.63%	0.65%	0.65%	0.55%

(1) Information is only available for last nine years.

Table 5

Town of Ashland, Virginia

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes (1)	Machinery and Tools	Public Service Real Estate	Public Service Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
2011	\$ 723,174,800	\$ 51,532,330	\$ 2,339,545	\$ 2,738,555	\$ 27,303,212	\$ 163,500	\$ 807,251,942	\$ 807,251,942	100.00%	\$ 0.86
2010	716,419,003	53,651,879	2,532,915	2,502,665	29,286,101	2,426,266	806,818,829	806,818,829	100.00%	0.86
2009	697,544,000	57,137,205	2,645,140	1,452,390	26,520,966	2,998,358	788,298,059	788,298,059	100.00%	0.86
2008	628,077,300	52,599,056	2,796,945	1,597,520	33,120,340	155,892	718,347,053	718,347,053	100.00%	0.84
2007	576,599,600	52,822,578	3,556,555	1,233,445	30,532,788	93,934	664,838,900	664,838,900	100.00%	0.84
2006	499,097,100	51,403,965	2,960,580	1,031,000	31,115,065	32,338	585,640,048	585,640,048	100.00%	0.84
2005	463,076,000	58,525,770	3,572,280	1,016,205	37,257,628	14,344	563,462,227	563,462,227	100.00%	0.84
2004	444,918,100	47,652,805	-	1,865,505	38,297,873	88,276	532,822,559	532,822,559	100.00%	0.86
2003	414,207,367	46,960,148	-	1,867,475	37,058,405	-	500,093,395	500,093,395	100.00%	0.86
2002	393,332,700	45,181,470	-	1,447,765	38,398,900	66,930	478,427,765	478,427,765	100.00%	0.86

(1) Mobile Homes assessed values are included with Personal Property assessed values prior to fiscal year 2005.

Source: Commissioner of Revenue

Table 5a

Town of Ashland, Virginia

Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	1% Sales & Use	Consumer Utility	Consumption	Communications	Franchise	Business License	Motor Vehicle	Bank Stock	Cigarette	Hotel & Motel	Restaurant Food (1)	Total
2011	\$ 338,717	\$ 112,095	\$ 44,451	\$ -	\$ -	\$ 434,134	\$ 123,063	\$ 235,104	\$ 309,554	\$ 451,943	\$ 1,769,105	\$ 3,818,166
2010	318,926	146,860	33,899	286,484	-	441,166	127,049	204,290	343,191	480,558	1,764,723	4,147,146
2009	334,098	118,332	37,787	284,695	(48)	467,741	134,370	175,510	-	531,333	1,815,232	3,899,050
2008	484,839	111,119	38,834	313,337	-	459,209	130,336	153,438	-	591,906	1,884,529	4,167,547
2007	469,870	232,124	37,719	134,363	40,870	500,578	152,892	147,700	-	594,716	1,750,879	4,061,711
2006	440,046	341,277	37,019	-	72,220	531,374	126,064	170,662	-	581,342	1,740,219	4,040,223
2005	417,411	300,585	33,358	-	70,613	437,781	123,552	146,790	-	494,132	1,585,208	3,609,430
2004	359,046	293,386	30,092	-	63,860	522,563	121,397	126,911	-	338,125	1,205,899	3,061,279
2003	296,918	234,039	-	-	35,630	527,588	118,485	74,807	-	300,861	1,088,420	2,676,748
2002	334,713	229,344	31,188	-	34,977	457,720	119,363	77,471	-	305,902	1,103,475	2,694,153

(1) Restaurant food tax revenue is the Town's most significant own-source revenue. It is impacted by the Town's close proximity to Randolph Macon College and interstate 95 and the abundance of restaurants located in the Town to serve this community. The top ten providers of restaurant food tax for fiscal year 2011 are in order as follows: Cracker Barrel, McDonald's One, McDonald's Two, Applebee's, Ponderosa, Wendy's, Ruby Tuesday, Hardee's, Starbucks and Ironhorse.

Table 6

Town of Ashland, Virginia

Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rates					Overlapping Rates County of Hanover				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	
2011	\$ 0.09	\$ 0.77	\$ 0.07	\$ 0.77	\$ 0.81	\$ 3.57	\$ 0.81	\$ 3.57	\$ 1.90	
2010	0.09	0.77	0.09	0.77	0.81	3.57	0.81	3.57	1.90	
2009	0.09	0.77	0.09	0.77	0.81	3.57	0.81	3.57	1.90	
2008	0.07	0.77	0.07	0.77	0.81	3.57	0.81	3.57	1.90	
2007	0.07	0.77	0.07	0.77	0.81	3.57	0.81	3.57	1.90	
2006	0.07	0.77	0.07	0.77	0.86	3.64	0.86	3.64	1.90	
2005	0.07	0.77	0.07	0.77	0.86	3.64	0.86	3.64	1.90	
2004	0.09	0.77	0.09	0.77	0.86	3.64	0.86	3.64	1.90	
2003	0.09	0.77	0.09	0.77	0.82	3.64	0.82	3.64	1.90	
2002	0.09	0.77	0.09	0.77	0.82	3.64	0.82	3.64	1.90	

(1) Per \$100 of assessed value

Table 6a

Town of Ashland, Virginia

Other Tax Rates
Last Ten Fiscal Years

Fiscal Year	Room Tax (1)	Meal Tax (1)	Cigarette Tax (2)
2011	5%	5%	\$ 0.19
2010	5%	5%	0.19
2009	5%	5%	-
2008	5%	5%	-
2007	5%	5%	-
2006	5%	5%	-
2005	5%	5%	-
2004	4%	4%	-
2003	4%	4%	-
2002	4%	4%	-

(1) Room and Meal tax rates increased to 5% July 1, 2004

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

Table 7

Town of Ashland, Virginia

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2011		Fiscal Year 2012	
		Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation (1)	% of Total Assessed Valuation
Ashland Hanover LLC	Shopping Center	\$ 15,223,500	12.55%	-	0.00%
Ashland Town Square, LLC	Apartments	12,270,000	10.11%	-	0.00%
Virginia Electric & Power	Utility	12,141,814	10.01%	-	0.00%
Wal-mart Real Estate Bus. Trust	Shopping Center	10,230,440	8.43%	-	0.00%
Sedgefield Mobile Associates, LP	Mobile Home Community	9,054,100	7.46%	-	0.00%
Verizon Virginia, Inc.	Communications / Public Service	8,824,383	7.27%	-	0.00%
Ashland Junction, LLC	Shopping Center	7,025,200	5.79%	-	0.00%
Culpepper, J.L., and Co., Inc.	Commercial	7,049,925	5.81%	-	0.00%
Ashland Hi, LLC	Commercial	6,948,500	5.73%	-	0.00%
Concrete Pipe and Products	Commercial	6,095,800	5.02%	-	0.00%
Shreeji Swami Hospitality, LLC	Hotel	5,557,000	4.58%	-	0.00%
Shanti Investments, Inc.	Commercial	5,457,600	4.50%	-	0.00%
BL & SK Bhambri Corp.	Commercial	5,356,100	4.41%	-	0.00%
FC-THC Leasing II, LLC	Leasing	5,213,385	4.30%	-	0.00%
Ashland Associates, LLC	Commercial	4,877,400	4.02%	-	0.00%
		<u>\$ 121,325,147</u>	<u>100.00%</u>	<u>-</u>	<u>0.00%</u>

Source: Commissioner of Revenue

(1) No additional information available.

Table 8

Town of Ashland, Virginia

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 1,102,965	\$ 1,068,780	96.90%	\$ 66	\$ 1,068,780	96.90%
2010	995,263	954,557	95.91%	23,891	954,557	95.91%
2009	1,020,768	1,010,261	98.97%	n/a	1,010,261	98.97%
2008	876,360	834,557	95.23%	6,233	840,790	95.94%
2007	841,484	832,168	98.89%	39,083	871,251	103.54%
2006	756,359	731,879	96.76%	13,434	745,313	98.54%
2005	751,429	715,144	95.17%	4,529	719,673	95.77%
2004	779,925	764,201	97.98%	4,550	768,751	98.57%
2003	756,148	739,987	97.86%	23,751	763,738	101.00%
2002	720,145	614,168	85.28%	86,109	700,277	97.24%
2001	694,926	658,905	94.82%	30,221	689,126	99.17%

Source: Commissioner of Revenue, County Treasurer's office

Table 9

Town of Ashland, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds			
2011	\$ 78,941	\$ 78,941	0.05%	11
2010	117,925	117,925	0.11%	18
2009	154,959	154,959	0.14%	23
2008	191,993	191,993	0.17%	29
2007	227,078	227,078	0.20%	34
2006	261,189	261,189	0.23%	39
2005	295,300	295,300	0.26%	45
2004	472,675	472,675	0.42%	71
2003	642,253	642,253	0.57%	97
2002	4,005,000	4,005,000	3.57%	605

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 13

Town of Ashland, Virginia

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Debt Payable by County of Hanover	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2011	\$ 405,000	\$ 326,059	\$ 78,941	0.01%	\$ 10.93
2010	605,000	487,075	117,925	0.01%	17.82
2009	795,000	640,041	154,959	0.02%	23.41
2008	985,000	793,007	191,993	0.03%	29.01
2007	1,165,000	937,922	227,078	0.03%	34.31
2006	1,340,000	1,078,811	261,189	0.04%	39.46
2005	1,515,000	1,219,700	295,300	0.05%	44.61
2004	2,425,000	1,952,325	472,675	0.09%	71.41
2003	3,295,000	2,652,747	642,253	0.13%	97.03
2002	4,005,000	-	4,005,000	0.84%	605.08

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Town of Ashland, Virginia

Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Town of Ashland Subtotal, direct debt	\$ 78,941	100.00%	<u>\$ 78,941</u>
County of Hanover, overlapping debt	\$ 150,018,270	6.82%	<u>10,231,246</u>
Total direct and overlapping debt			<u><u>\$ 10,231,246</u></u>

(1) Based on 2004 assessed valuations.

Note - Town of Ashland's portion of overlapping debt from the County of Hanover prorated based on the Town's relative share of assessed property values.

Town of Ashland, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit (10% of total assessed value)	43,173,160	45,126,577	48,321,597	50,033,363	53,021,217	60,713,239	66,119,764	72,406,497	74,570,480	80,725,194
Total net debt applicable to limit	4,005,000	642,253	472,675	295,300	261,189	227,078	191,993	154,959	117,925	78,941
Legal debt margin	<u>43,837,777</u>	<u>49,367,087</u>	<u>52,809,581</u>	<u>56,050,923</u>	<u>58,302,816</u>	<u>60,486,161</u>	<u>65,927,771</u>	<u>72,251,538</u>	<u>74,452,555</u>	<u>80,646,253</u>
Total net debt applicable to the limit as a percentage of debt limit	8.37%	1.28%	0.89%	0.52%	0.45%	0.37%	0.29%	0.21%	0.16%	0.10%

Legal Debt Margin Calculation for Fiscal Year 2011

Total assessed value	807,251,942
Debt limit (10% of total assessed value)	80,725,194
Net debt applicable to limit	78,941
Legal debt margin	<u>80,646,253</u>

Town of Ashland, Virginia

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Median Age (4)	County of Hanover	
					School Enrollment (5)	Unemployment Rate (6)
2011	7,225	\$ 154,102,025	\$ 21,329	33.5	19,277	5.70%
2010	6,619	112,072,908	16,932	37.4	19,465	6.71%
2009	6,619	112,072,908	16,932	37.4	19,584	7.20%
2008	6,619	112,072,908	16,932	37.4	19,670	2.85%
2007	6,619	112,072,908	16,932	37.4	19,768	2.43%
2006	6,619	112,072,908	16,932	37.4	18,518	2.48%
2005	6,619	112,072,908	16,932	37.4	18,262	2.73%
2004	6,619	112,072,908	16,932	37.4	18,040	2.60%
2003	6,619	112,072,908	16,932	34.5	17,541	2.70%
2002	6,619	112,072,908	16,932	34.5	17,167	3.00%
2001	6,619	80,725,324	12,196	34.5	16,683	1.30%

(1) 2010 U. S. Census Bureau; 2010 Town of Ashland estimate.

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

(3) 2010 U. S. Census Bureau; 2010 Town of Ashland estimate.

(4) 2000-2002 Hanover County planning department estimates; 2003-2010 U. S. Census Bureau.

(5) Hanover County School Board - Enrollment by Grade 09/30/2010

(6) U.S. Bureau of Labor Statistics for 2009, Virginia Employment Commission for 2000 through 2008

Town of Ashland, Virginia

Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	11	11	11	13	8	8	8	8	9	9
Public safety										
Police department	24	24	24	26	27	28	25	28	28	24
Public works										
Maintenance department	21	21	18	24	24	24	25	24	23	22
Community development										
Planning	3	3	4	6	6	6	6	5	5	3
Totals	59	59	57	69	65	66	64	65	65	58

Source: Individual town departments

Table 15

Town of Ashland, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Building inspections:										
Permits issued	103	117	101	81	109	97	87	113	131	126

Source: Individual town department

Table 16

Town of Ashland, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government											
Vehicles	4	4	5	6	6	6	8	8	8	9	2
Public safety											
Police department:											
Patrol units	21	21	21	21	21	21	22	26	28	27	33
Other vehicles	2	2	2	2	2	2	2	1	1	2	2
Public works											
General maintenance:											
Trucks/vehicles	23	22	22	21	21	20	21	19	19	19	20
Equipment	53	60	71	82	90	98	78	87	86	87	28
Culture and recreation											
Parks and recreation:											
Parks acreage	21.92	21.92	21.92	23.00	23.22	23.22	23.22	23.22	23.60	23.60	23.60
Swimming pools	1	1	1	1	1	1	1	1	1	1	1

Source: Individual town departments
Equipment - from Insurance table

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town of Ashland, Virginia's basic financial statements and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Ashland, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 of Ashland, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ashland, Virginia's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ashland, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions 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*.

This report is intended solely for the information and use of management, Town Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
November 1, 2011