

TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2010

PREPARED BY:

Harold W. Mitchell,
Treasurer

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TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 |
| Notes to Financial Statements | 15-33 |

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION: (Continued)

| | <u>Page</u> |
|--|-------------|
| <u>Required Supplementary Information:</u> | |
| Exhibit 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–General Fund | 34 |
| Exhibit 8 Schedule of Funding Progress - Virginia Retirement System | 35 |
| Exhibit 9 Schedule of Funding Progress - Retiree Healthcare Plan | 36 |
| <u>Other Supplementary Information:</u> | |
| Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–Capital Projects Fund | 37 |
| Discretely Presented Component Unit–Economic Development Authority: | |
| Exhibit 11 Statement of Net Assets | 38 |
| Exhibit 12 Statement of Revenues, Expenses, and Changes in Fund Net Assets | 39 |
| Exhibit 13 Statement of Cash Flows | 40 |
| Supporting Schedules: | |
| Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds | 41-42 |
| Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds | 43-44 |

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

| <u>STATISTICAL SECTION</u> | | <u>Page</u> |
|----------------------------|---|-------------|
| Table 1 | Net Assets by Component | 45 |
| Table 2 | Changes in Net Assets | 46 |
| Table 3 | Fund Balances of Governmental Funds | 47 |
| Table 4 | Changes in Fund Balances of Governmental Funds | 48 |
| Table 5 | Assessed Value and Estimated Actual Value of Taxable Property | 49 |
| Table 5a | Tax Revenues by Source, Governmental Funds | 50 |
| Table 6 | Property Tax Rates - Direct and Overlapping Governments | 51 |
| Table 6a | Other Tax Rates | 52 |
| Table 7 | Principal Property Taxpayers | 53 |
| Table 8 | Property Tax Levies and Collections | 54 |
| Table 9 | Ratios of Outstanding Debt by Type | 55 |
| Table 10 | Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita | 56 |
| Table 11 | Direct and Overlapping Governmental Activities Debt | 57 |
| Table 12 | Legal Debt Margin Information | 58 |
| Table 13 | Demographic and Economic Statistics | 59 |
| Table 14 | Principal Employers | 60 |
| Table 15 | Full-time Equivalent Town Government Employees by Function | 61 |
| Table 16 | Operating Indicators by Function | 62 |
| Table 17 | Capital Asset Statistics by Function | 63 |

TOWN OF ASHLAND, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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*

64-65

TOWN OF ASHLAND, VIRGINIA

Town Council

Faye O. Prichard, Mayor

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

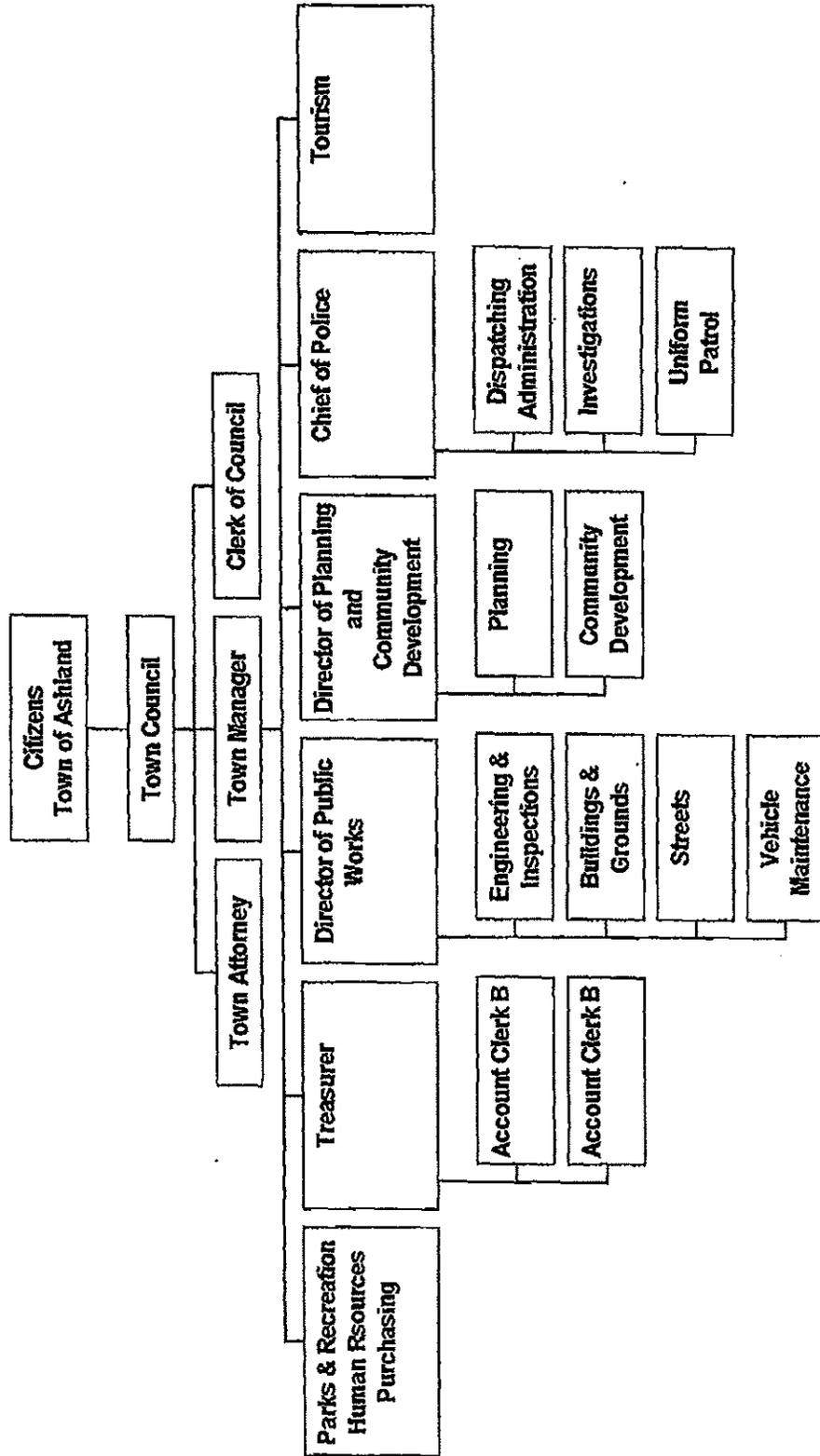
Terri Winston-Abri
Ned Henson

Other Officials

Town Manager Charles W. Hartgrove
Treasurer Harold W. Mitchell
Clerk of the Council Lois A. Smith
Town Attorney Andrea G. Erard

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Town of Ashland Organizational Chart



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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, 2009

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.



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President

A handwritten signature in black ink, appearing to read "Jeffrey R. Ennis".

Executive Director

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Town of Ashland

Center of the Universe

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

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

December 14, 2010

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

Dear Members of Town Council:

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

Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia for the fiscal year ended June 30, 2010, 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 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 decreased during the 2009-10 fiscal year. Vacant commercial and industrial properties have increased slightly during the last 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 2010 with few new businesses occupying space in existing buildings and the very little construction of new buildings.

Fourteen 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 6-10% and office vacancies range between 18-24% within the Town.

Residential construction has continued through both an infill process of construction of small numbers of houses on previously subdivided lots and through the development of a larger condominium complex. Forty-three certificates of occupancy were issued for residential units in Ashland during the year, representing a nineteen 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 the maximum allowed level provided by the Code of Virginia, 5%. 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 2010 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 2000 census indicated that the population of the Town was 6,619, an increase of 12.9 percent over the 1990 population of 5,864. The Town's 2009 population is estimated at 7,500, an increase of 9 percent since the 2000 census. Ashland's population represented approximately eight percent of Hanover's 2000 population of 86,320.

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-empt's 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, 2009. 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-three consecutive years (fiscal years ended 1987 - 2009). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

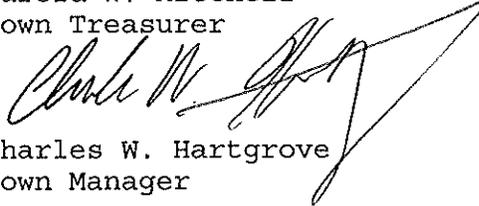
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. We would like to express our appreciation to all those who assisted in and contributed to the preparation of this report.

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,



Harold W. Mitchell
Town Treasurer



Charles W. Hartgrove
Town Manager

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, the major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of and for the year ended June 30, 2010, 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, the major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of June 30, 2010, and the respective 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.

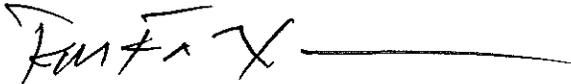
In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, on our consideration of the Town of Ashland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

As discussed in Note 12, The Town implemented GASB Statement No.45 *Accounting Financial Reporting by Employers for Post-Employment Benefits other than Pensions*, effective June 30, 2010.

The Management's Discussion and Analysis, budgetary comparison information, and the Schedules of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashland, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary 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. 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 express no opinion on them.

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

Richmond, Virginia
December 1, 2010

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, 2010. 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 \$23,753,791 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$869,875 (Exhibit 5).

< As of the close of the current fiscal year; the Town's funds reported ending fund balances of \$7,307,678 an increase of \$869,875 in comparison with the prior year.

< At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,914,679 or 73% of total general fund expenditures and other uses.

< The combined long-term obligations increased \$116,050 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 \$23,753,791 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>2010</u> | <u>2009</u> |
| Current and other assets | \$ 7,677,750 | \$ 6,543,487 |
| Capital assets | <u>16,793,729</u> | <u>17,357,490</u> |
| Total assets | <u>\$ 24,471,479</u> | <u>\$ 23,900,977</u> |
| Current liabilities | \$ 190,357 | \$ 58,997 |
| Long-term liabilities outstanding | <u>527,331</u> | <u>411,281</u> |
| Total liabilities | <u>\$ 717,688</u> | <u>\$ 470,278</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 16,675,804 | \$ 17,202,531 |
| Restricted for: | | |
| Unrestricted | <u>7,077,987</u> | <u>6,228,168</u> |
| Total net assets | <u><u>\$ 23,753,791</u></u> | <u><u>\$ 23,430,699</u></u> |

Government-wide Financial Analysis (Continued)

The Town's net assets increased by \$323,092 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 | |
| | 2010 | 2009 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 236,684 | \$ 230,285 |
| Operating grants and contributions | 1,576,377 | 1,599,899 |
| Capital grants and contributions | - | 332,763 |
| General revenues: | | |
| General property taxes | 1,112,194 | 1,016,610 |
| Other local taxes | 4,147,146 | 3,899,050 |
| Grants and other contributions not restricted | 195,482 | 210,682 |
| Other general revenues | 17,418 | 99,794 |
| Total revenues | \$ 7,285,301 | \$ 7,389,083 |
| Expenses: | | |
| General government administration | \$ 1,079,252 | \$ 1,080,181 |
| Public safety | 2,315,497 | 2,334,043 |
| Public works | 2,915,958 | 2,925,473 |
| Health and welfare | 5,950 | - |
| Parks, recreation, and cultural | 176,640 | 174,949 |
| Community development | 465,452 | 547,544 |
| Interest and other fiscal charges | 3,460 | 4,520 |
| Total expenses | \$ 6,962,209 | \$ 7,066,710 |
| Change in net assets | \$ 323,092 | \$ 322,373 |
| Net assets, beginning of year | 23,430,699 | 23,108,326 |
| Net assets, end of year | \$ 23,753,791 | \$ 23,430,699 |

Generally, net assets changes result from differences between revenues and expenses. The following are key elements of the increases in net assets:

- Increases in net assets for governmental activities resulted primarily from increases in general property taxes which offset the decline in other local taxes.

Increases in operating expenses closely paralleled inflation and growth in the demand for services.

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 \$7,307,678 an increase of \$869,875 in comparison with the prior year. Approximately 67% of this total amount constitutes unreserved 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 \$2,392,999, all of which was reserved 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 public safety expenditures.

During the year, revenues exceeded budgetary estimates by \$179,112. Expenditures were less than budgetary estimates by \$775,947, resulting in a positive variance of \$955,059 for net changes in fund balance. Approximately 48% the expenditure variance is due to the positive variance in street maintenance expenditures of \$374,153.

Capital Asset and Long-term Obligations

< Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2010 amounts to \$16,793,729 (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 \$527,331, which included bonded debt of \$117,925, compensated absences of \$263,406, and OPEB liability of \$146,000. All of the bonded debt outstanding at June 30, 2010 was backed by the full faith and credit of the Town.

The Town's long-term obligations increased by \$116,050 during the current fiscal year. The increase was made up of a decrease in debt outstanding of \$37,034, an increase in the liability for compensated absences of \$7,084, and an increase of 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 6.7% at June 30, 2010. The Commonwealth of Virginia's unemployment rate was 7.1% as of the same date.
- < Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2010 fiscal year.

The fiscal year 2011 budget increased by approximately 9.64%. 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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Ashland, Virginia
Statement of Net Assets
June 30, 2010

| | <u>Primary Governmental Activities</u> | <u>Component Unit EDA</u> |
|--|--|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 7,136,571 | \$ 119,044 |
| Receivables (net of allowance for uncollectibles): | | |
| Taxes receivable | 188,021 | - |
| Accounts receivable | 214,813 | - |
| Due from other governmental units | 138,345 | - |
| Capital assets (net of accumulated depreciation): | | |
| Land and land improvements | 2,161,117 | - |
| Buildings and improvements | 1,515,117 | - |
| Machinery and equipment | 306,628 | - |
| Infrastructure | 12,810,867 | - |
| Total assets | <u>\$ 24,471,479</u> | <u>\$ 119,044</u> |
| LIABILITIES | | |
| Accounts payable | \$ 89,222 | \$ - |
| Performance bonds payable | 99,509 | - |
| Accrued interest payable | 1,405 | - |
| Unearned revenue | 221 | - |
| Long-term liabilities: | | |
| Due within one year | 65,325 | - |
| Due in more than one year | 462,006 | - |
| Total liabilities | <u>\$ 717,688</u> | <u>\$ -</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | \$ 16,675,804 | \$ - |
| Unrestricted (deficit) | 7,077,987 | 119,044 |
| Total net assets | <u>\$ 23,753,791</u> | <u>\$ 119,044</u> |
| Total Liabilities and Net Assets | <u>\$ 24,471,479</u> | <u>\$ 119,044</u> |

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, 2010

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|------------------|----------------------|------------------------------------|---|---------------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Component Unit EDA |
| PRIMARY GOVERNMENT: | | | | | | |
| Governmental activities: | | | | | | |
| General government administration | \$ 1,079,252 | \$ - | \$ - | \$ - | \$ (1,079,252) | \$ - |
| Public safety | 2,315,497 | 182,895 | 234,141 | - | (1,898,461) | - |
| Public works | 2,915,958 | - | 1,337,236 | - | (1,578,722) | - |
| Health and welfare | 5,950 | - | - | - | (5,950) | - |
| Parks, recreation, and cultural | 176,640 | 53,789 | - | - | (122,851) | - |
| Community development | 465,452 | - | 5,000 | - | (460,452) | - |
| Interest on long-term debt | 3,460 | - | - | - | (3,460) | - |
| Total governmental activities | \$ 6,962,209 | \$ 236,684 | \$ 1,576,377 | \$ - | \$ (5,149,148) | \$ - |
| Total primary government | \$ 6,962,209 | \$ 236,684 | \$ 1,576,377 | \$ - | \$ (5,149,148) | \$ - |
| COMPONENT UNIT: | | | | | | |
| Economic development authority | \$ 70,159 | \$ 15,177 | \$ - | \$ - | \$ - | \$ (54,982) |
| Total component unit | \$ 70,159 | \$ 15,177 | \$ - | \$ - | \$ - | \$ (54,982) |
| General revenues: | | | | | | |
| General property taxes | | | | | \$ 1,112,194 | \$ - |
| Local sales and use taxes | | | | | 318,926 | - |
| Business license taxes | | | | | 441,166 | - |
| Hotel and motel room taxes | | | | | 480,558 | - |
| Restaurant food taxes | | | | | 1,764,723 | - |
| Other local taxes | | | | | 1,141,773 | - |
| Unrestricted revenues from use of money and property | | | | | 32,426 | 2,137 |
| Miscellaneous | | | | | (15,008) | - |
| Grants and contributions not restricted to specific programs | | | | | 195,482 | - |
| Total general revenues | | | | | \$ 5,472,240 | \$ 2,137 |
| Change in net assets | | | | | 323,092 | (52,845) |
| Net assets - beginning | | | | | \$ 23,430,699 | \$ 171,889 |
| Net assets - ending | | | | | \$ 23,753,791 | \$ 119,044 |

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

FUND FINANCIAL STATEMENTS

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Town of Ashland, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
|---|---------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,743,572 | \$ 2,392,999 | \$ 7,136,571 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 188,021 | - | 188,021 |
| Accounts receivable | 214,813 | - | 214,813 |
| Due from other governmental units | 138,345 | - | 138,345 |
| Total assets | <u>\$ 5,284,751</u> | <u>\$ 2,392,999</u> | <u>\$ 7,677,750</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 89,222 | \$ - | \$ 89,222 |
| Performance bond payable | 99,509 | - | 99,509 |
| Deferred revenue | 181,341 | - | 181,341 |
| Total liabilities | <u>\$ 370,072</u> | <u>\$ -</u> | <u>\$ 370,072</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Future capital projects | \$ - | \$ 2,392,999 | \$ 2,392,999 |
| Unreserved, reported in: | | | |
| General fund | 4,914,679 | - | 4,914,679 |
| Total fund balances | <u>\$ 4,914,679</u> | <u>\$ 2,392,999</u> | <u>\$ 7,307,678</u> |
| Total liabilities and fund balances | <u>\$ 5,284,751</u> | <u>\$ 2,392,999</u> | <u>\$ 7,677,750</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, 2010

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

| | | |
|--|----------------|-----------------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ 7,307,678 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 16,793,729 |
| 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 | \$ (117,925) | |
| Compensated absences | (263,406) | |
| OPEB liability | (146,000) | |
| Accrued interest payable | <u>(1,405)</u> | (528,736) |
| Net assets of governmental activities | | <u><u>\$ 23,753,791</u></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, 2010

| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|---------------------|-----------------------------|---------------------|
| REVENUES | | | |
| General property taxes | \$ 979,608 | \$ - | \$ 979,608 |
| Other local taxes | 4,147,146 | - | 4,147,146 |
| Permits, privilege fees, and regulatory licenses | 47,854 | - | 47,854 |
| Fines and forfeitures | 135,041 | - | 135,041 |
| Revenue from the use of money and property | 25,821 | 6,605 | 32,426 |
| Charges for services | 53,789 | - | 53,789 |
| Miscellaneous | (15,008) | - | (15,008) |
| Recovered costs | 55,946 | - | 55,946 |
| Intergovernmental revenues: | | | |
| Commonwealth | 1,724,707 | - | 1,724,707 |
| Federal | 47,152 | - | 47,152 |
| Total revenues | <u>\$ 7,202,056</u> | <u>\$ 6,605</u> | <u>\$ 7,208,661</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 1,031,702 | \$ - | \$ 1,031,702 |
| Public safety | 2,188,271 | - | 2,188,271 |
| Public works | 2,358,561 | - | 2,358,561 |
| Parks, recreation, and cultural | 117,621 | - | 117,621 |
| Community development | 451,049 | - | 451,049 |
| Capital projects | - | 150,646 | 150,646 |
| Debt service: | | | |
| Principal retirement | 37,034 | - | 37,034 |
| Interest and other fiscal charges | 3,902 | - | 3,902 |
| Total expenditures | <u>\$ 6,188,140</u> | <u>\$ 150,646</u> | <u>\$ 6,338,786</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,013,916</u> | <u>\$ (144,041)</u> | <u>\$ 869,875</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 410,000 | \$ 410,000 |
| Transfers out | (410,000) | - | (410,000) |
| Total other financing sources (uses) | <u>\$ (410,000)</u> | <u>\$ 410,000</u> | <u>\$ -</u> |
| Net change in fund balances | \$ 603,916 | \$ 265,959 | \$ 869,875 |
| Fund balances - beginning | 4,310,763 | 2,127,040 | 6,437,803 |
| Fund balances - ending | <u>\$ 4,914,679</u> | <u>\$ 2,392,999</u> | <u>\$ 7,307,678</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, 2010

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

Net change in fund balances - total governmental funds \$ 869,875

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 | \$ 75,463 | |
| Depreciation expense | <u>(639,224)</u> | (563,761) |

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. 132,586

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 | 37,034 |
|--|--------|

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 | \$ (7,084) | |
| Increase in OPEB liability | (146,000) | |
| Decrease in interest payable | <u>442</u> | (152,642) |

| | |
|---|-------------------|
| Change in net assets of governmental activities | <u>\$ 323,092</u> |
|---|-------------------|

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

NOTES TO THE FINANCIAL STATEMENTS

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TOWN OF ASHLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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, 2010.

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, 2010.

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 General Fund as a major governmental fund.

The General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major fund.

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

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 \$34,862 at June 30, 2010 and is comprised solely of property taxes.

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 as estimated fair market value at the date of donation.

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

G. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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.

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. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

L. 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.

M. 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 Statement of Net Assets. 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.

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, 2010, as adopted, appropriated and legally amended.
8. The expenditure budget is enacted through an annual appropriations ordinance. If budget amendments exceed 1% of the original adopted budget the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. There were no budget amendments during the year that exceeded the 1% limitation.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2010.

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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.

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2010 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 |
| Local Government Investment Pool | \$ - | \$ 5,522,989 |
| Repurchase Agreements - Underlying: Mortgage Securities | 1,258,510 | - |
| Total | <u>\$ 1,258,510</u> | <u>\$ 5,522,989</u> |

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 3— Deposits and Investments: (Continued)

Interest Rate Risk

| Investment Type | Investment Maturities (in years) | |
|-------------------------------------|----------------------------------|---------------------|
| | Fair Value | Less Than 1 Year |
| Repurchase Agreements - Underlying: | | |
| Mortgage Securities | \$ 1,258,510 | \$ 1,258,510 |
| Total | \$ 1,258,510 | \$ 1,258,510 |

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, 2010, the Town has receivables from other governments as follows:

| | |
|----------------------------------|-------------------------------|
| | <u>Primary Government</u> |
| Other Local Governments: | |
| County of Hanover | \$ 67,538 |
| Commonwealth of Virginia: | |
| Rolling stock tax | 125 |
| Mobile home titling tax | 1,280 |
| Auto rental tax | 16,079 |
| Communications tax | 48,255 |
| Federal Government: | |
| Transportation safety | <u>5,068</u> |
| Total due from other governments | <u>\$ 138,345</u> |

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

Primary Government:

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|--|-------------------------|---------------------|------------------|--------------------------|
| <i>Primary Government:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 2,161,117 | \$ - | \$ - | \$ 2,161,117 |
| Construction in progress | 19,550 | - | 19,550 | - |
| Total capital assets not subject to depreciation | \$ 2,180,667 | \$ - | \$ 19,550 | \$ 2,161,117 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 2,353,343 | \$ 75,123 | \$ - | \$ 2,428,466 |
| Infrastructure | 16,059,385 | - | - | 16,059,385 |
| Machinery and equipment | 2,095,339 | 19,890 | 22,420 | 2,092,809 |
| Total capital assets subject to depreciation | \$ 20,508,067 | \$ 95,013 | \$ 22,420 | \$ 20,580,660 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 826,424 | \$ 86,925 | \$ - | \$ 913,349 |
| Infrastructure | 2,821,189 | 427,329 | - | 3,248,518 |
| Machinery and equipment | 1,683,631 | 124,970 | 22,420 | 1,786,181 |
| Total accumulated depreciation | \$ 5,331,244 | \$ 639,224 | \$ 22,420 | \$ 5,948,048 |
| Total capital assets subject to depreciation, net | \$ 15,176,823 | \$ (544,211) | \$ - | \$ 14,632,612 |
| Governmental activities capital assets, net | \$ 17,357,490 | \$ (544,211) | \$ 19,550 | \$ 16,793,729 |

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

| | |
|---|-------------------|
| Governmental activities: | |
| General government | \$ 22,377 |
| Public safety | 67,052 |
| Public works | 487,764 |
| Parks, recreation and cultural | 59,019 |
| Community development | 3,012 |
| Total depreciation expense - governmental activities | \$ 639,224 |

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following:

| Fund | Transfers In | Transfers Out |
|---------------------------------|-------------------|-------------------|
| Primary Government Obligations: | | |
| General Fund | \$ - | \$ 410,000 |
| Capital Projects Fund | 410,000 | - |
| Total | <u>\$ 410,000</u> | <u>\$ 410,000</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, 2010:

| | Amounts Payable at July 1, 2009 | Increases | Decreases | Amounts Payable at June 30, 2010 | Amounts Due Within One Year |
|---------------------------------|---------------------------------------|-------------------|-------------------|--|-----------------------------------|
| Primary Government Obligations: | | | | | |
| General Fund Obligations: | | | | | |
| Compensated absences payable | \$ 256,322 | \$ 32,716 | \$ 25,632 | \$ 263,406 | \$ 26,341 |
| General obligation bond | 154,959 | - | 37,034 | 117,925 | 38,984 |
| OPEB liability | - | 196,600 | 50,600 | 146,000 | - |
| Total General Fund Obligations | <u>\$ 411,281</u> | <u>\$ 229,316</u> | <u>\$ 113,266</u> | <u>\$ 527,331</u> | <u>\$ 65,325</u> |

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

| Year Ending June 30 | General Obligation Bond | |
|-----------------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2011 | \$ 200,000 | \$ 14,443 |
| 2012 | 200,000 | 8,723 |
| 2013 | 205,000 | 2,932 |
| Less: County of Hanover's Portion | <u>(487,075)</u> | <u>(21,011)</u> |
| Total | <u>\$ 117,925</u> | <u>\$ 5,087</u> |

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 7—Long Term Obligations: (Continued)

Long-Term Obligations:

| | Total Amount |
|--|-----------------|
| <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. | \$ 605,000 |
| Less: Portion paid by County of Hanover | (487,075) |
| Total General Obligation Bonds | \$ 117,925 |
| Compensated absences (payable from General Fund) | \$ 263,406 |
| OPEB liability (payable from General Fund) | \$ 146,000 |
| Total Long-Term Obligations, General Fund | \$ 527,331 |

On January 11, 1995, the Town and Hanover Town, Virginia entered into an Agreement of Purchase and Sale of the Town's water and sewer system effective January 1, 1996 (see Note 14). Under the agreement the Town 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, 2010, \$173,459 was received from the Town. The amounts expected to be received for each of the Town's fiscal years ending June 30 for principal and interest are as follows:

| Year Ending June 30 | General Obligation Bond | |
|------------------------|-------------------------|-----------|
| | Principal | Interest |
| 2011 | \$ 161,016 | \$ 11,628 |
| 2012 | 161,017 | 7,023 |
| 2013 | 165,042 | 2,360 |
| Total | \$ 487,075 | \$ 21,011 |

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 \$181,341 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$181,120 at June 30, 2010.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$221 at June 30, 2010.

Note 9—Litigation:

At June 30, 2010, 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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org/pdf/publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. The employer has assumed the 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2010 was 7.88% of annual covered payroll.

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 11 – Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

C. Annual Pension Cost

For fiscal year 2010, the Town's annual pension cost of \$371,158 (which includes the portion of the employee share assumed by the employer which was \$144,083) was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC) (1)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------|--|--|---------------------------------------|
| Town: | | | |
| June 30, 2010 | \$ 227,075 | 100% | \$ - |
| June 30, 2009 | 232,305 | 100% | - |
| June 30, 2008 | 260,874 | 100% | - |

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 89.91% funded. The actuarial accrued liability for benefits was \$9,772,407, and the actuarial value of assets was \$8,786,734, resulting in an unfunded actuarial accrued liability (UAAL) of \$985,673. The covered payroll (annual payroll of active employees covered by the plan) was \$2,962,677, and ratio of the UAAL to the covered payroll was 33.27%.

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—Postemployment Benefits Other Than Pensions:

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. The retiree is responsible for 100% of the premium and is paid directly to Anthem. Once a retiree reaches age 65, he must join a Medicare supplement option to continue coverage.

Funding Policy

The Town's retirees pay 100% of the premiums directly to Anthem BCBS. The Town currently has 7 retirees and 1 spouse on their plan.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Town has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the Town. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the Retiree Health Plan:

| | <u>TOWN</u> |
|--|-------------------|
| Annual required contribution | \$ 196,600 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | \$ 196,600 |
| Estimated Contributions made | (50,600) |
| Increase in net OPEB obligation | 146,000 |
| Net OPEB obligation-beginning of year | - |
| Net OPEB obligation-end of year | \$ <u>146,000</u> |

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 12—Postemployment Benefits Other Than Pensions: (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 2010 were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|-----------------------------|---|------------------------------------|
| 6/30/2010 | \$ 196,600 | 25.74% | \$ 146,000 |

Funded Status and Funding Progress

As of January 1, 2009, the Town’s actuarial accrued liability for benefits was \$9,772,407, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,962,677, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.27 percent.

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.

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.

Town of Ashland, Virginia

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 12—Postemployment Benefits Other Than Pensions: (Continued)

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2010 using Scale AA.

Coverage elections -The actuarial assumed that 30% 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, 2010 was thirty years.

Note 13 –Surety Bonds:

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

Note 14 –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, 2010 (Continued)

Note 15 –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.

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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.

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Town of Ashland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| General property taxes | \$ 977,330 | \$ 977,330 | \$ 979,608 | \$ 2,278 |
| Other local taxes | 3,801,000 | 3,801,000 | 4,147,146 | 346,146 |
| Permits, privilege fees, and regulatory licenses | 7,500 | 7,500 | 47,854 | 40,354 |
| Fines and forfeitures | 100,000 | 100,000 | 135,041 | 35,041 |
| Revenue from the use of money and property | 119,000 | 119,000 | 25,821 | (93,179) |
| Charges for services | - | - | 53,789 | 53,789 |
| Miscellaneous | 23,280 | 23,280 | (15,008) | (38,288) |
| Recovered costs | 169,084 | 169,084 | 55,946 | (113,138) |
| Intergovernmental revenues: | | | | |
| Commonwealth | 1,784,832 | 1,784,832 | 1,724,707 | (60,125) |
| Federal | 40,918 | 40,918 | 47,152 | 6,234 |
| Total revenues | <u>\$ 7,022,944</u> | <u>\$ 7,022,944</u> | <u>\$ 7,202,056</u> | <u>\$ 179,112</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,069,446 | \$ 1,069,446 | \$ 1,031,702 | \$ 37,744 |
| Public safety | 2,255,834 | 2,255,834 | 2,188,271 | 67,563 |
| Public works | 2,801,786 | 2,801,786 | 2,358,561 | 443,225 |
| Parks, recreation, and cultural | 122,292 | 122,292 | 117,621 | 4,671 |
| Community development | 504,709 | 504,709 | 451,049 | 53,660 |
| Debt service: | | | | |
| Principal retirement | 190,000 | 190,000 | 37,034 | 152,966 |
| Interest and other fiscal charges | 20,020 | 20,020 | 3,902 | 16,118 |
| Total expenditures | <u>\$ 6,964,087</u> | <u>\$ 6,964,087</u> | <u>\$ 6,188,140</u> | <u>\$ 775,947</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 58,857</u> | <u>\$ 58,857</u> | <u>\$ 1,013,916</u> | <u>\$ 955,059</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (410,000) | \$ (410,000) | \$ (410,000) | \$ - |
| Total other financing sources and uses | <u>\$ (410,000)</u> | <u>\$ (410,000)</u> | <u>\$ (410,000)</u> | <u>\$ -</u> |
| Net change in fund balances | \$ (351,143) | \$ (351,143) | \$ 603,916 | \$ 955,059 |
| Fund balances - beginning | 351,143 | 351,143 | 4,310,763 | 3,959,620 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,914,679</u> | <u>\$ 4,914,679</u> |

Town of Ashland, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2010

| 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) |
|---------------------------------------|--|--|--|--|-------------------------------------|---|
| 6/30/2009 | \$ 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% |
| 6/30/2000 | 4,228,600 | 4,165,359 | (63,241) | 101.52% | 1,304,989 | -4.85% |

Exhibit 9

Town of Ashland, Virginia
 Schedule of Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2010

| 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 1/1/2009 | \$ - | \$ 2,035,500 | \$ 2,035,500 | 0.00% | \$ 3,059,500 | 66.53% |

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OTHER SUPPLEMENTARY INFORMATION

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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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|-----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 91,923 | \$ 91,923 | \$ 6,605 | \$ (85,318) |
| Total revenues | <u>\$ 91,923</u> | <u>\$ 91,923</u> | <u>\$ 6,605</u> | <u>\$ (85,318)</u> |
| EXPENDITURES | | | | |
| Capital projects | \$ 2,188,702 | \$ 2,188,702 | \$ 150,646 | \$ 2,038,056 |
| Total expenditures | <u>\$ 2,188,702</u> | <u>\$ 2,188,702</u> | <u>\$ 150,646</u> | <u>\$ 2,038,056</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (2,096,779)</u> | <u>\$ (2,096,779)</u> | <u>\$ (144,041)</u> | <u>\$ 1,952,738</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 410,000 | \$ 410,000 | \$ 410,000 | \$ - |
| Total other financing sources and uses | <u>\$ 410,000</u> | <u>\$ 410,000</u> | <u>\$ 410,000</u> | <u>\$ -</u> |
| Net change in fund balances | \$ (1,686,779) | \$ (1,686,779) | \$ 265,959 | \$ 1,952,738 |
| Fund balances - beginning | 1,686,779 | 1,686,779 | 2,127,040 | 440,261 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,392,999</u> | <u>\$ 2,392,999</u> |

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Town of Ashland, Virginia
Statement of Net Assets
Discretely Presented Component Unit-Economic Development Authority
June 30, 2010

ASSETS

Current assets:

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 119,044 |
| Total assets | \$ 119,044 |

NET ASSETS

| | |
|------------------|------------|
| Unrestricted | \$ 119,044 |
| Total net assets | \$ 119,044 |

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, 2010

OPERATING REVENUES

Charges for services:

| | |
|--------------------------|-----------|
| Miscellaneous | \$ 15,177 |
| Total operating revenues | \$ 15,177 |

OPERATING EXPENSES

| | |
|-----------------------------|-----------|
| Other supplies and expenses | \$ 70,159 |
| Total operating expenses | \$ 70,159 |

| | |
|-------------------------|-------------|
| Operating income (loss) | \$ (54,982) |
|-------------------------|-------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--|----------|
| Investment earnings | \$ 2,137 |
| Total nonoperating revenues (expenses) | \$ 2,137 |

| | |
|----------------------|-------------|
| Change in net assets | \$ (52,845) |
|----------------------|-------------|

| | |
|------------------------------|------------|
| Total net assets - beginning | \$ 171,889 |
| Total net assets - ending | \$ 119,044 |

Town of Ashland, Virginia
Statement of Cash Flows
Discretely Presented Component Unit-Economic Development Authority
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|----|-----------------|
| Receipts for miscellaneous items | \$ | 15,177 |
| Payments for operating activities | | (70,159) |
| Net cash provided (used) by operating activities | \$ | <u>(54,982)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|----|--------------|
| Interest and dividends received | \$ | <u>2,137</u> |
| Net cash provided (used) by investing activities | \$ | <u>2,137</u> |

| | | |
|--|----|----------|
| Net increase (decrease) in cash and cash equivalents | \$ | (52,845) |
|--|----|----------|

| | | |
|---------------------------------------|----|-----------------------|
| Cash and cash equivalents - beginning | | 171,889 |
| Cash and cash equivalents - ending | \$ | <u><u>119,044</u></u> |

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SUPPORTING SCHEDULES

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Town of Ashland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

| <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 | \$ 621,482 | \$ 621,482 | \$ 632,503 | \$ 11,021 |
| Real and personal public service corporation taxes | 20,000 | 20,000 | 29,857 | 9,857 |
| Personal property taxes | 296,748 | 296,748 | 273,328 | (23,420) |
| Mobile home taxes | - | - | 1,896 | 1,896 |
| Machinery and tools taxes | 10,600 | 10,600 | 16,973 | 6,373 |
| Penalties | 20,000 | 20,000 | 16,187 | (3,813) |
| Interest | 8,500 | 8,500 | 8,864 | 364 |
| Total general property taxes | <u>\$ 977,330</u> | <u>\$ 977,330</u> | <u>\$ 979,608</u> | <u>\$ 2,278</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 350,000 | \$ 350,000 | \$ 318,926 | \$ (31,074) |
| Consumers' utility taxes | 110,000 | 110,000 | 146,860 | 36,860 |
| Communications taxes | 305,000 | 305,000 | 285,883 | (19,117) |
| Consumption tax | 36,000 | 36,000 | 33,899 | (2,101) |
| Telephone license tax | - | - | 601 | 601 |
| Business license taxes | 400,000 | 400,000 | 441,166 | 41,166 |
| Motor vehicle licenses | 130,000 | 130,000 | 127,049 | (2,951) |
| Bank stock taxes | 125,000 | 125,000 | 204,290 | 79,290 |
| Cigarette tax | 70,000 | 70,000 | 343,191 | 273,191 |
| Hotel and motel room taxes | 525,000 | 525,000 | 480,558 | (44,442) |
| Restaurant food taxes | 1,750,000 | 1,750,000 | 1,764,723 | 14,723 |
| Total other local taxes | <u>\$ 3,801,000</u> | <u>\$ 3,801,000</u> | <u>\$ 4,147,146</u> | <u>\$ 346,146</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Permits and other licenses | \$ 7,500 | \$ 7,500 | \$ 47,854 | \$ 40,354 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 7,500</u> | <u>\$ 7,500</u> | <u>\$ 47,854</u> | <u>\$ 40,354</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 100,000 | \$ 100,000 | \$ 135,041 | \$ 35,041 |
| Total fines and forfeitures | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>\$ 135,041</u> | <u>\$ 35,041</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 50,000 | \$ 50,000 | \$ 9,038 | \$ (40,962) |
| Revenue from use of property | 69,000 | 69,000 | 16,783 | (52,217) |
| Total revenue from use of money and property | <u>\$ 119,000</u> | <u>\$ 119,000</u> | <u>\$ 25,821</u> | <u>\$ (93,179)</u> |
| Charges for services: | | | | |
| Charges for parks and recreation | \$ - | \$ - | \$ 53,789 | \$ 53,789 |
| Total charges for services | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 53,789</u> | <u>\$ 53,789</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 23,280 | \$ 23,280 | \$ (15,008) | \$ (38,288) |
| Total miscellaneous revenue | <u>\$ 23,280</u> | <u>\$ 23,280</u> | <u>\$ (15,008)</u> | <u>\$ (38,288)</u> |
| Recovered costs: | | | | |
| Reimbursements from employee deductions | \$ - | \$ - | \$ 54,002 | \$ 54,002 |
| County of Hanover | 169,084 | 169,084 | - | (169,084) |
| RMC lighting | - | - | 1,944 | 1,944 |
| Total recovered costs | <u>\$ 169,084</u> | <u>\$ 169,084</u> | <u>\$ 55,946</u> | <u>\$ (113,138)</u> |
| Total revenue from local sources | <u>\$ 5,197,194</u> | <u>\$ 5,197,194</u> | <u>\$ 5,430,197</u> | <u>\$ 233,003</u> |

Town of Ashland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

| <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 | \$ 10,000 | \$ 10,000 | \$ 4,069 | \$ (5,931) |
| Rolling stock tax | 9,200 | 9,200 | 125 | (9,075) |
| Auto rental tax | 80,000 | 80,000 | 79,514 | (486) |
| Personal property tax relief funds | 111,774 | 111,774 | 111,774 | - |
| Total noncategorical aid | <u>\$ 210,974</u> | <u>\$ 210,974</u> | <u>\$ 195,482</u> | <u>\$ (15,492)</u> |
| Categorical aid: | | | | |
| Streets and highway maintenance | \$ 1,370,201 | \$ 1,370,201 | \$ 1,334,558 | \$ (35,643) |
| DJCP grants for law enforcement | 182,853 | 182,853 | 173,372 | (9,481) |
| Fire programs | 17,500 | 17,500 | 18,261 | 761 |
| Litter control | 3,304 | 3,304 | 2,678 | (626) |
| Asset forfeiture | - | - | 356 | 356 |
| Total categorical aid | <u>\$ 1,573,858</u> | <u>\$ 1,573,858</u> | <u>\$ 1,529,225</u> | <u>\$ (44,633)</u> |
| Total revenue from the Commonwealth | <u>\$ 1,784,832</u> | <u>\$ 1,784,832</u> | <u>\$ 1,724,707</u> | <u>\$ (60,125)</u> |
| Revenue from the federal government: | | | | |
| Other categorical aid: | | | | |
| Bulletproof vest grant | \$ 3,200 | \$ 3,200 | - | \$ (3,200) |
| Transportation safety | 28,718 | 28,718 | 26,424 | (2,294) |
| Arts grant | 5,000 | 5,000 | 5,000 | - |
| Justice assistance grant | 4,000 | 4,000 | 15,728 | 11,728 |
| Total other categorical aid | <u>\$ 40,918</u> | <u>\$ 40,918</u> | <u>\$ 47,152</u> | <u>\$ 6,234</u> |
| Total revenue from the federal government | <u>\$ 40,918</u> | <u>\$ 40,918</u> | <u>\$ 47,152</u> | <u>\$ 6,234</u> |
| Total General Fund | <u>\$ 7,022,944</u> | <u>\$ 7,022,944</u> | <u>\$ 7,202,056</u> | <u>\$ 179,112</u> |
| Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ 91,923 | \$ 91,923 | \$ 6,605 | \$ (85,318) |
| Total revenue from use of money and property | <u>\$ 91,923</u> | <u>\$ 91,923</u> | <u>\$ 6,605</u> | <u>\$ (85,318)</u> |
| Total revenue from local sources | <u>\$ 91,923</u> | <u>\$ 91,923</u> | <u>\$ 6,605</u> | <u>\$ (85,318)</u> |
| Total Capital Projects Fund | <u>\$ 91,923</u> | <u>\$ 91,923</u> | <u>\$ 6,605</u> | <u>\$ (85,318)</u> |
| Grand Total Revenues -- Primary Government | <u>\$ 7,114,867</u> | <u>\$ 7,114,867</u> | <u>\$ 7,208,661</u> | <u>\$ 93,794</u> |

Town of Ashland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

| <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 | \$ 35,030 | \$ 35,030 | \$ 28,007 | \$ 7,023 |
| General and financial administration: | | | | |
| Town Manager | \$ 537,449 | \$ 537,449 | \$ 520,643 | \$ 16,806 |
| Tourism | 125,802 | 125,802 | 129,855 | (4,053) |
| Treasurer | 274,665 | 274,665 | 271,778 | 2,887 |
| Information Technology | 94,000 | 94,000 | 79,929 | 14,071 |
| Total general and financial administration | <u>\$ 1,031,916</u> | <u>\$ 1,031,916</u> | <u>\$ 1,002,205</u> | <u>\$ 29,711</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 2,500 | \$ 2,500 | \$ 1,490 | \$ 1,010 |
| Total general government administration | <u>\$ 1,069,446</u> | <u>\$ 1,069,446</u> | <u>\$ 1,031,702</u> | <u>\$ 37,744</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police | \$ 2,225,322 | \$ 2,225,322 | \$ 2,158,465 | \$ 66,857 |
| Fire and rescue services: | | | | |
| Fire department | \$ 25,512 | \$ 25,512 | \$ 24,806 | \$ 706 |
| Ambulance and rescue services | 5,000 | 5,000 | 5,000 | - |
| Total fire and rescue services | <u>\$ 30,512</u> | <u>\$ 30,512</u> | <u>\$ 29,806</u> | <u>\$ 706</u> |
| Total public safety | <u>\$ 2,255,834</u> | <u>\$ 2,255,834</u> | <u>\$ 2,188,271</u> | <u>\$ 67,563</u> |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Engineering/Administration | \$ 586,628 | \$ 586,628 | \$ 566,304 | \$ 20,324 |
| Street maintenance | 1,425,718 | 1,425,718 | 1,051,565 | 374,153 |
| Storm drainage | 19,000 | 19,000 | 20,973 | (1,973) |
| Snow and ice removal | 32,000 | 32,000 | 24,695 | 7,305 |
| Traffic engineering | 31,500 | 31,500 | 24,569 | 6,931 |
| Streetlights | 40,000 | 40,000 | 42,768 | (2,768) |
| Total maintenance of highways, streets, bridges & sidewalks | <u>\$ 2,134,846</u> | <u>\$ 2,134,846</u> | <u>\$ 1,730,874</u> | <u>\$ 403,972</u> |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 355,000 | \$ 355,000 | \$ 322,916 | \$ 32,084 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 165,202 | \$ 165,202 | \$ 160,696 | \$ 4,506 |
| Vehicle Maintenance | | | | |
| | \$ 146,738 | \$ 146,738 | \$ 144,075 | \$ 2,663 |
| Total public works | <u>\$ 2,801,786</u> | <u>\$ 2,801,786</u> | <u>\$ 2,358,561</u> | <u>\$ 443,225</u> |

Town of Ashland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

| <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 | \$ 122,292 | \$ 122,292 | \$ 117,621 | \$ 4,671 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning and zoning | \$ 406,956 | \$ 406,956 | \$ 370,068 | \$ 36,888 |
| Economic development | 97,753 | 97,753 | 80,981 | 16,772 |
| Total planning and community development | <u>\$ 504,709</u> | <u>\$ 504,709</u> | <u>\$ 451,049</u> | <u>\$ 53,660</u> |
| Total community development | <u>\$ 504,709</u> | <u>\$ 504,709</u> | <u>\$ 451,049</u> | <u>\$ 53,660</u> |
| Debt service: | | | | |
| Principal retirement | \$ 190,000 | \$ 190,000 | \$ 37,034 | \$ 152,966 |
| Interest and other fiscal charges | 20,020 | 20,020 | 3,902 | 16,118 |
| Total debt service | <u>\$ 210,020</u> | <u>\$ 210,020</u> | <u>\$ 40,936</u> | <u>\$ 169,084</u> |
| Total General Fund | <u>\$ 6,964,087</u> | <u>\$ 6,964,087</u> | <u>\$ 6,188,140</u> | <u>\$ 775,947</u> |
| Capital Projects Fund: | | | | |
| Capital projects expenditures: | | | | |
| Town Hall improvements | \$ 28,508 | \$ 28,508 | \$ 5,835 | \$ 22,673 |
| Visitor's Center roof repair | 60,000 | 60,000 | 55,573 | 4,427 |
| Public works-streets | 1,324,555 | 1,324,555 | 3,600 | 1,320,955 |
| Storm water management | 121,490 | 121,490 | 79,698 | 41,792 |
| Parks and recreation | 26,734 | 26,734 | - | 26,734 |
| Economic development | 408,383 | 408,383 | 5,940 | 402,443 |
| Contingencies | 219,032 | 219,032 | - | 219,032 |
| Total capital projects | <u>\$ 2,188,702</u> | <u>\$ 2,188,702</u> | <u>\$ 150,646</u> | <u>\$ 2,038,056</u> |
| Total Capital Projects Fund | <u>\$ 2,188,702</u> | <u>\$ 2,188,702</u> | <u>\$ 150,646</u> | <u>\$ 2,038,056</u> |
| Total Primary Government | <u>\$ 9,152,789</u> | <u>\$ 9,152,789</u> | <u>\$ 6,338,786</u> | <u>\$ 2,814,003</u> |

Statistical Section

Contents

Tables

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.

15-17

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.

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Table 1

Town of Ashland, Virginia

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

| | 2004 | 2005 | 2006 | Fiscal Year 2007 | 2008 | 2009 | 2010 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 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 |
| 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 |
| 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> |

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

Table 2

Town of Ashland, Virginia

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

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

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

| | Fiscal Year | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund Unreserved | <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> |
| 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> |
| All other governmental funds Reserved | <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> |
| 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> |

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

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Town of Ashland, Virginia

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

| | Fiscal Year | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Revenues | | | | | | | | |
| General property taxes | \$ 704,484 | \$ 703,906 | \$ 642,808 | \$ 655,553 | \$ 746,254 | \$ 770,247 | \$ 1,037,166 | \$ 979,608 |
| 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 |
| Permits, privilege fees and regulatory licenses | 464,125 | 34,805 | 23,250 | 10,970 | 30,131 | 46,294 | 60,361 | 47,854 |
| Fines and forfeitures | 34,944 | 32,885 | 25,747 | 35,321 | 75,421 | 89,489 | 107,745 | 135,041 |
| Revenue from use of money and property | 89,344 | 60,018 | 93,785 | 217,810 | 282,466 | 224,211 | 85,775 | 32,426 |
| Charges for services | 50,561 | 51,267 | 54,101 | 59,464 | 64,878 | 65,355 | 62,179 | 53,789 |
| Miscellaneous | 486 | 116,839 | 38,097 | (8,845) | 13,684 | 43,226 | 14,019 | (15,008) |
| Recovered costs | 1,133,053 | 138,164 | 26,106 | 617,957 | 300,485 | 131,893 | 64,733 | 55,946 |
| 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 |
| Federal | 10,025 | 360,235 | 297,070 | 1,205,423 | 2,937,534 | 884,159 | 376,811 | 47,152 |
| 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 |
| Expenditures | | | | | | | | |
| General government administration | \$ 746,589 | \$ 631,586 | \$ 634,925 | \$ 721,080 | \$ 1,158,148 | \$ 1,059,054 | \$ 1,111,174 | \$ 1,031,702 |
| 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 |
| 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 |
| Parks, recreation and cultural | 61,691 | 80,134 | 82,707 | 181,026 | 172,933 | 141,123 | 115,135 | 117,621 |
| Community development | 440,402 | 543,920 | 477,828 | 521,458 | 460,483 | 501,435 | 489,879 | 451,049 |
| Capital projects | 1,846,011 | 2,380,005 | 721,860 | 1,728,983 | 3,771,095 | 2,112,901 | 691,337 | 150,646 |
| Debt service: | | | | | | | | |
| Principal | 790,000 | 169,578 | 177,375 | 175,000 | 34,111 | 35,085 | 37,034 | 37,034 |
| Interest and other fiscal charges | 221,553 | 89,592 | 10,910 | 40,827 | 6,982 | 5,993 | 4,961 | 3,902 |
| 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 |
| Excess of revenues over (under) expenditures | \$ 1,199,064 | \$ (951,023) | \$ 382,917 | \$ 1,036,798 | \$ (131,716) | \$ (744,655) | \$ 315,896 | \$ 869,875 |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | \$ 935,000 | \$ 482,557 | \$ 415,000 | \$ 755,000 | \$ 1,128,293 | \$ 250,000 | \$ 350,000 | \$ 410,000 |
| Transfers out | (935,000) | (482,557) | (415,000) | (755,000) | (1,128,293) | (250,000) | (350,000) | (410,000) |
| 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 |
| Debt service as a percentage of noncapital expenditures | 19.04% | 5.15% | 3.56% | 3.82% | 0.67% | 0.63% | 0.65% | 0.65% |

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

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 | | Total Taxable Assessed Value | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value | Total Direct Tax Rate |
|-------------|----------------|-------------------|------------------|---------------------|----------------|-------------------|------------------------------|--------------------------------|--|-----------------------|
| | | | | | Real Estate | Personal Property | | | | |
| 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 |
| 2001 | 356,169,200 | 42,517,650 | - | 1,179,210 | 32,884,784 | 61,194 | 432,812,038 | 432,812,038 | 100.00% | 0.87 |

(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 |
|-------------|----------------|------------------|-------------|----------------|-----------|------------------|---------------|------------|------------|---------------|---------------------|--------------|
| 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 |
| 2001 | 277,862 | 218,676 | - | - | 32,644 | 639,804 | 113,394 | 119,146 | - | 320,425 | 1,100,631 | 2,822,582 |

(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.

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 |
| 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 |
| 2001 | 0.10 | 0.77 | 0.10 | 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) |
|----------------|-----------------|-----------------|----------------------|
| 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% | - |
| 2001 | 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 2010 | | Fiscal Year 2001 | |
|----------------------------------|---------------------------------|-----------------------|-------------------------------------|---------------------------|-------------------------------------|
| | | Assessed Valuation | % of Total Assessed Valuation | Assessed Valuation (1) | % of Total Assessed Valuation |
| Ashland Hanover LLC | Shopping Center | 15,223,500 | 12.04% | - | 0.00% |
| Verizon Virginia, Inc. | Communications / Public Service | 13,262,222 | 10.49% | - | 0.00% |
| Ashland Town Square, LLC | Apartments | 12,270,000 | 9.70% | - | 2.46% |
| Virginia Electric & Power | Utility | 11,758,780 | 9.30% | - | 0.00% |
| Wal-mart Real Estate Bus. Trust | Shopping Center | 10,284,400 | 8.13% | - | 1.22% |
| Sedgefield Mobile Associates, LP | Mobile Home Community | 9,054,100 | 7.16% | - | 1.43% |
| Ashland Junction, LLC | Shopping Center | 8,066,000 | 6.38% | - | 0.00% |
| Culpepper, J.L., and Co., Inc. | Commercial | 7,136,515 | 5.64% | - | 0.00% |
| Ashland Hi, LLC | Commercial | 6,948,500 | 5.49% | - | 0.00% |
| Concrete Pipe and Products | Commercial | 6,155,400 | 4.87% | - | 0.00% |
| Shreeji Swami Hospitality, LLC | Hotel | 5,715,355 | 4.52% | - | 0.00% |
| Shanti Investments, Inc. | Commercial | 5,457,600 | 4.32% | - | 0.00% |
| BL & SK Bhambri Corp. | Commercial | 5,356,100 | 4.23% | - | 0.00% |
| FC-THC Leasing II, LLC | Leasing | 4,906,900 | 3.88% | - | 0.00% |
| Ashland Associates, LLC | Commercial | 4,877,400 | 3.86% | - | 0.00% |
| | | <u>126,472,772</u> | <u>100.00%</u> | | <u>5.11%</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 |
| 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 | | Percentage of Personal Income (1) | Per Capita (1) |
|----------------|--------------------------------|--------------------------------|---|-------------------|
| | General Obligation Bonds | Total Primary Government | | |
| 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 |
| 2001 | 4,755,000 | 4,755,000 | 5.89% | 718 |

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

Table 10

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) |
|----------------|-------------------------|--|---------------------------|---|---|
| 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 |
| 2001 | 4,755,000 | - | 4,755,000 | 1.10% | 718.39 |

(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, 2010

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable (1) | Estimated Share of Overlapping Debt |
|--|---------------------|---|--|
| Debt repaid with property taxes: Town of Ashland | \$ 117,925 | 100.00% | \$ 117,925 |
| Subtotal, direct debt | | | <u>117,925</u> |
| County of Hanover, overlapping debt | \$ 162,781,312 | 6.82% | <u>11,101,685</u> |
| Total direct and overlapping debt | | | <u><u>\$ 11,101,685</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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Debt limit (10% of total assessed value) | 38,905,398 | 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 |
| Total net debt applicable to limit | 4,755,000 | 4,005,000 | 642,253 | 472,675 | 295,300 | 261,189 | 227,078 | 191,993 | 154,959 | 117,925 |
| Legal debt margin | 38,526,204 | 43,837,777 | 49,367,087 | 52,809,581 | 56,050,923 | 58,302,816 | 60,486,161 | 65,927,771 | 72,251,538 | 74,452,555 |
| Total net debt applicable to the limit as a percentage of debt limit | 10.99% | 8.37% | 1.28% | 0.89% | 0.52% | 0.45% | 0.37% | 0.29% | 0.21% | 0.16% |

Legal Debt Margin Calculation for Fiscal Year 2010

| | |
|--|-------------|
| Total assessed value | 745,704,801 |
| Debt limit (10% of total assessed value) | 74,570,480 |
| Net debt applicable to limit | 117,925 |
| Legal debt margin | 74,452,555 |

Table 13

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) |
| 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) 2001-2009 U. S. Census Bureau; 2000 Town of Ashland estimate.

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

(3) Weldon Cooper Center.

(4) 2000-2002 Hanover County planning department estimates; 2003-2009 U. S. Census Bureau.

(5) Hanover County School Board.

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

Table 14

Town of Ashland, Virginia

Principal Employers (1)

Current Year and the Period Nine Years Prior

| Employer | Fiscal Year 2010 | | | Fiscal Year 2001 (2) | | |
|---------------------------|------------------|------|----------------------------|----------------------|------|----------------------------|
| | Employees | Rank | % of Total Town Employment | Employees | Rank | % of Total Town Employment |
| Hanover County | 501 | 1 | 24.66% | - | - | 0.00% |
| Wal-Mart Stores | 322 | 2 | 15.85% | - | - | 0.00% |
| Randolph Macon College | 317 | 3 | 15.60% | - | - | 0.00% |
| Produce Source Partners | 180 | 4 | 8.86% | - | - | 0.00% |
| Ashland Nursing and Rehab | 173 | 5 | 8.51% | - | - | 0.00% |
| Cox Transportation | 150 | 6 | 7.38% | - | - | 0.00% |
| Martins (formerly Ukrops) | 127 | 7 | 6.25% | - | - | 0.00% |
| Crackerbarrel | 107 | 8 | 5.27% | - | - | 0.00% |
| Richmond Restaurant | 95 | 9 | 4.68% | - | - | 0.00% |
| Sheehy Ford | 60 | 10 | 2.95% | - | - | 0.00% |
| Totals | 2,032 | | 100.00% | - | | 0.00% |

(1) Information provided by Business Development office of the Town of Ashland and VEC.

(2) Information unavailable

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 16

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 17

Town of Ashland, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

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

Source: Individual town departments

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, the major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Ashland, Virginia's basic financial statements and have issued our report thereon dated December 1, 2010. 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.

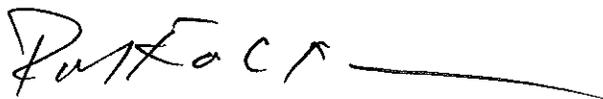
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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*.

We noted other matters that we have reported to management of the Town of Ashland, Virginia, in a separate letter dated December 1, 2010.

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 "Duffo C F", followed by a long horizontal line extending to the right.

Richmond, Virginia
December 1, 2010