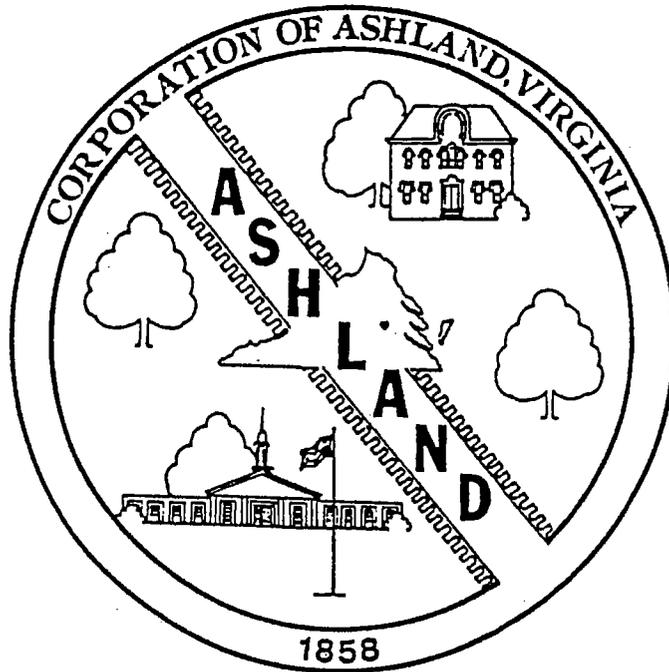


**TOWN OF ASHLAND, VIRGINIA**  
**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**



**Fiscal Year Ended**  
**June 30, 2006**

# **INTRODUCTORY SECTION**

**TOWN OF ASHLAND, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2006**

**PREPARED BY:**

---

Harold W. Mitchell,  
Treasurer

TOWN OF ASHLAND, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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TOWN OF ASHLAND, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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# TOWN OF ASHLAND, VIRGINIA

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## Town Council

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Faye O. Prichard, Mayor

Angela L. LaCombe, Vice Mayor  
George F. Spagna

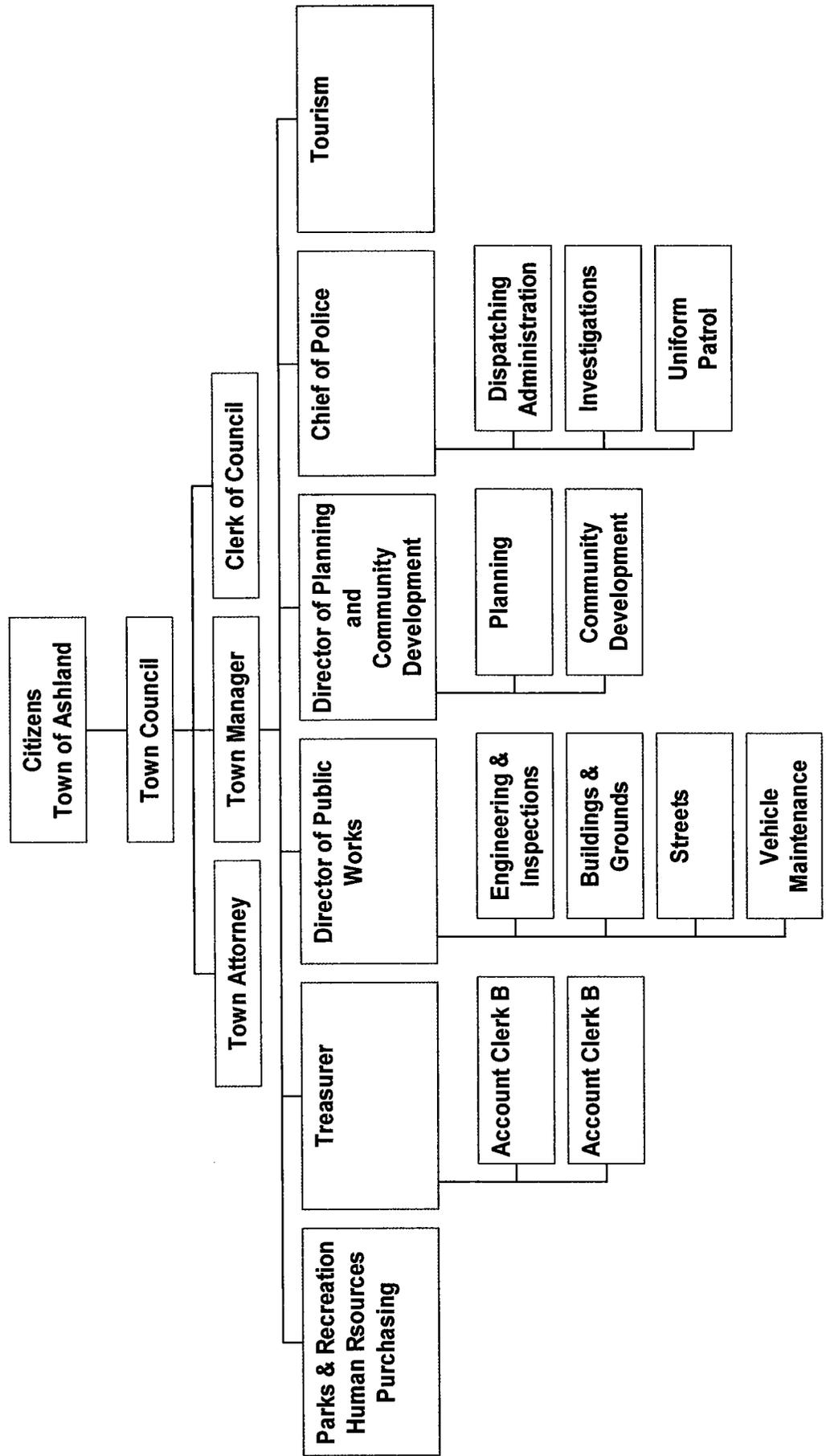
Anthony E. Keitt  
William C. Martin

## Other Officials

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

# Town of Ashland Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ashland,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# TOWN OF ASHLAND

FAYE O. PRICHARD  
MAYOR

WILLIAM C. MARTIN  
VICE MAYOR

GEORGE F. SPAGNA, JR.  
COUNCIL MEMBER

ANTHONY E. KEITT  
COUNCIL MEMBER

101 THOMPSON STREET  
P.O. BOX 1600 • ASHLAND, VIRGINIA 23005-4600  
TELEPHONE (804) 798-9219  
FAX: (804) 798-4892

MELVIN R. HALL, JR.  
COUNCIL MEMBER

CHARLES W. HARTGROVE  
TOWN MANAGER

ANDREA E. ERARD  
TOWN ATTORNEY

LOIS A. SMITH  
CLERK OF COUNCIL

October 6, 2006

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

Dear Members of Town Council:

## Introduction

The Comprehensive Annual Financial Report of the Town of Ashland, Virginia for the fiscal year ended June 30, 2006, 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

The economy in the metropolitan Richmond area is stable with moderate growth. Retail development continues in western Henrico County and in Richmond south of the James River but not at the pace experienced in the 1990s. 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 in which to live or work. Ashland is becoming the northern edge of commercial growth within the region.

In terms of the local economy, the level of activity in and around the Town has remained relatively stable during the last fiscal year. Vacant commercial and industrial properties with available roads and utilities allow developers to quickly respond to demand.

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 was stable during FY 2006 with new businesses occupying space in existing buildings and the construction of new buildings. Twenty-three commercial certificates of occupancy were issued during the year. New commercial construction included the completion of several small retail and convenience facilities. Commercial activity is also evident in the downtown area with recent openings of several new businesses. Downtown property continues to be a very desirable product for both retail, service and office/business purposes.

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-one certificates of occupancy were issued for residential units in Ashland during the year, representing a ninety-five percent annual increase in the total number of residential units.

#### Prospects for the Future

With the national economy slowing down and a regional economy expanding at a slower rate, the vacant commercial and industrial sites and buildings in Ashland provide an opportunity for some growth, which should provide a small increase in the tax base of the Town. The service industry will open several new businesses that

will expand the meals and transient occupancy taxes. Activity remains fairly good in many industries for manufacturing, distribution and office space.

The Town Council has attempted to maintain moderate property tax rates 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 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 ample 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. The major focus for FY 2003 was the reconstruction of Thompson Street west of the railroad tracks. Continued sidewalks, street, and curb/gutter improvements, along with improvements to the Town's five parks are featured in the FY 2004 and 2005 budgets. The Town has started planning and construction of several capital projects during the FY 2006 budget year.

#### 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 Weldon Cooper Center for Public Service estimates Ashland's 2006 population to be approximately 7,000. 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 Council appoints a Town Manager to act as administrative head of the Town. The Manager serves at the pleasure of Council, carries out its policies, directs business procedures, and has the power of appointment and removal of heads of all departments and employees of the Town.

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

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

The Town was originally founded as a summer community by the Richmond, Fredericksburg and Potomac Railroad Company. A few years later, Randolph-Macon College moved to the Town bringing additional growth. After the construction of U.S. Route 1 in the early 1900s, an increase in tourist-related growth began. Tourism continued to grow with the opening of Interstate 95 in 1963 and, in the 1970s, of Kings Dominion, a large amusement park eight miles north of Ashland.

The expansion of the Richmond metropolitan area throughout the 1980's and 1990's has brought added development activity to the Ashland/Hanover area.

Most of the employers in the Town are retail, service, or

government related. The major employers within the immediate area include the Hanover County School Board; Randolph-Macon College, a private coeducational college of 1,100 students, located within the Town; Richfood, Inc.; AMF Bowling Worldwide; Tyson's; and Philip Morris, USA. A large number of citizens are also employed in the Hanover Airpark, a few miles outside Ashland, the City of Richmond and Henrico County.

#### Cash Management

Cash temporarily idle during the year in the General Fund and Capital Projects Fund was invested in savings and money market certificates, certificates of deposit, and mutual funds invested only in state and local bonds and Treasury bills.

#### Risk Management

The Town has purchased property, general liability and errors and omissions coverage for itself and its employees. An Accident Review Committee, appointed by the Town Manager, reviews each accident involving Town property or employees and recommends remedial action, if necessary.

#### Retirement Plan

A substantial number of Town employees participate in the Virginia Retirement System (VRS). The VRS is an agent, multiple-employer public employee retirement system that acts as a common investment and administrative agent for the political subdivisions in the Commonwealth of Virginia. The VRS determines the contribution rate for localities every two years.

### 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, 2005. 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 nineteen consecutive years (fiscal years ended 1987 - 2005). 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

# **FINANCIAL SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## *Independent Auditor's 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of and for the year ended June 30, 2006, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of June 30, 2006, and the respective changes in financial position, 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 October 6, 2006, 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.

The Management's Discussion and Analysis and budgetary comparison information 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, basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and also is not a required part of the basic financial statements of the Town of Ashland, Virginia. The other Supplementary information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic Financial Statements taken as a whole. The introductory section and statistical tables 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.

Roberts, Farnum, & Associates

Richmond, Virginia  
October 6, 2006

## 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, 2006. 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 \$18,904,000 (net assets).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues in excess of expenditures of \$1,036,798 (Exhibit 5).

- ▶ As of the close of the current fiscal year; the Town's funds reported ending fund balances of \$6,983,278 an increase of \$1,036,798 in comparison with the prior year.
- ▶ At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,664,398 or 73% of total general fund expenditures and other uses.
- ▶ The combined long-term obligations decreased \$175,000 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 \$18,904,000 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Assets:

	Town of Ashland, Virginia's Net Assets	
	Governmental Activities	
	2006	2005
Current and other assets	\$ 7,348,037	\$ 6,266,843
Capital assets	12,339,509	11,231,447
Total assets	\$ 19,687,546	\$ 17,498,290
Current liabilities	\$ 320,920	\$ 295,698
Long-term liabilities outstanding	462,626	487,522
Total liabilities	\$ 783,546	\$ 783,220
Net assets:		
Invested in capital assets, net of related debt	\$ 12,078,320	\$ 10,936,147
Restricted for:		
Future capital projects	2,318,880	1,656,212
Unrestricted	4,506,800	4,122,711
Total net assets	\$ 18,904,000	\$ 16,715,070

**Government-wide Financial Analysis (Continued)**

The Town's net assets increased by \$2,188,930 during the current fiscal year. The following table summarizes the Town's Statement of Activities:

<b>Town of Ashland, Virginia's Changes in Net Assets</b>		
	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 105,755	\$ 103,098
Operating grants and contributions	2,565,640	1,638,609
Capital grants and contributions	-	22,798
<b>General revenues:</b>		
General property taxes	674,320	664,271
Other local taxes	4,040,223	3,609,430
Grants and other contributions restricted	218,466	217,038
Other general revenues	208,965	131,883
Loss on disposal of capital assets	-	(5,280)
<b>Total revenues</b>	<b>\$ 7,813,369</b>	<b>\$ 6,381,847</b>
<b>Expenses:</b>		
General government administration	\$ 703,671	\$ 648,828
Public safety	1,854,281	1,823,269
Public works	2,289,263	2,386,112
Parks, recreation, and cultural	239,301	133,377
Community development	530,371	481,643
Interest and other fiscal charges	7,552	8,796
<b>Total expenses</b>	<b>\$ 5,624,439</b>	<b>\$ 5,482,025</b>
<b>Change in net assets</b>	<b>\$ 2,188,930</b>	<b>\$ 899,822</b>
Net assets, beginning of year	16,715,070	15,815,248
<b>Net assets, end of year</b>	<b>\$ 18,904,000</b>	<b>\$ 16,715,070</b>

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 other local taxes offset by an overall smaller amount of public works expenditures being capitalized in the current year.

For the most part, 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 \$6,983,278 an increase of \$1,036,798 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 \$2,318,880, 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 budgets were appropriations of additional Public Safety grants totaling \$10,170.

During the year, revenues exceeded budgetary estimates by \$667,009. Expenditures were less than budgetary estimates by \$278,147, thus eliminating the budgeted need to draw upon existing fund balance of \$571,026 and actually adding to fund balance by \$374,130, resulting in a positive variance of \$945,156.

## **Capital Asset and Long-term Obligations**

- ▶ **Capital assets** - The Town's investment in capital assets for its governmental operations as of June 30, 2006 amounts to \$12,339,509 (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 the notes of this report.

**Long-term obligations** - At the end of the current fiscal year, the Town had total long-term obligations of \$462,626, which included bonded debt of \$261,189 and compensated absences of \$201,437. All of the bonded debt outstanding at June 30, 2006 was backed by the full faith and credit of the Town.

The Town's long-term obligations decreased by \$24,896 during the current fiscal year. The decrease was made up of a decrease in debt outstanding of \$34,111 and an increase in the liability for compensated absences of \$9,215.

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 Town compares favorably to the state's average unemployment rate of 3.1 percent and compares favorably to the national average rate of 4.6 percent.
- ▶ Inflationary trends in the region compare favorably to national indices.

### **Economic Factors and Next Year's Budgets and Rates (Continued)**

All of these factors were considered in preparing the Town's budget for the 2007 fiscal year.

The fiscal year 2007 budget decreased by approximately 1.5%. The property tax and other tax rates remained unchanged.

### **Requests for Information**

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

***BASIC FINANCIAL STATEMENTS***

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

Town of Ashland, Virginia  
Statement of Net Assets  
June 30, 2006

	Primary Government		Component
	Governmental Activities	Total	Unit EDA
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,261,198	\$ 1,261,198	\$ 125,864
Investments	5,154,307	5,154,307	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	53,259	53,259	-
Accounts receivable	273,005	273,005	-
Due from other governmental units	606,268	606,268	-
Capital assets (net of accumulated depreciation):			
Land	1,910,409	1,910,409	-
Buildings and system	1,344,165	1,344,165	-
Machinery and equipment	530,242	530,242	-
Infrastructure	8,545,224	8,545,224	-
Construction in progress	9,469	9,469	-
Total assets	<u>\$ 19,687,546</u>	<u>\$ 19,687,546</u>	<u>\$ 125,864</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 317,807	\$ 317,807	\$ -
Accrued interest payable	3,113	3,113	-
Long-term liabilities:			
Due within one year	54,254	54,254	-
Due in more than one year	408,372	408,372	-
Total liabilities	<u>\$ 783,546</u>	<u>\$ 783,546</u>	<u>\$ -</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 12,078,320	\$ 12,078,320	\$ -
Restricted for:			
Construction	2,318,880	2,318,880	-
Unrestricted (deficit)	4,506,800	4,506,800	125,864
Total net assets	<u>\$ 18,904,000</u>	<u>\$ 18,904,000</u>	<u>\$ 125,864</u>
Total liabilities and net assets	<u>\$ 19,687,546</u>	<u>\$ 19,687,546</u>	<u>\$ 125,864</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, 2006

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 Government Component Unit	
					Governmental Activities	Total EDA
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government administration	\$ 703,671	\$ -	\$ -	-	\$ (703,671)	\$ (703,671)
Public safety	1,854,281	35,321	209,341	-	(1,609,619)	(1,609,619)
Public works	2,289,263	10,970	2,351,299	-	73,006	73,006
Parks, recreation, and cultural	239,301	59,464	5,000	-	(174,837)	(174,837)
Community development	530,371	-	-	-	(530,371)	(530,371)
Interest on long-term debt	7,552	-	-	-	(7,552)	(7,552)
Total government activities	\$ 5,624,439	\$ 105,755	\$ 2,565,640	-	\$ (2,953,044)	\$ (2,953,044)
Total primary government	\$ 5,624,439	\$ 105,755	\$ 2,565,640	-	\$ (2,953,044)	\$ (2,953,044)
<b>COMPONENT UNITS:</b>						
Economic development authority	\$ 391	\$ -	\$ -	-	\$ -	\$ (391)
Total component units	\$ 391	\$ -	\$ -	-	\$ -	\$ (391)
General revenues:						
General property taxes					\$ 674,320	\$ 674,320
Local sales and use taxes					440,046	440,046
Consumers' utility taxes					341,277	341,277
Business licenses					531,374	531,374
Restaurant food taxes					1,740,219	1,740,219
Hotel and motel room taxes					581,342	581,342
Franchise licenses taxes					72,220	72,220
Bank stock taxes					170,662	170,662
Other local taxes					163,083	163,083
Unrestricted revenues from use of money and property					217,810	217,810
Miscellaneous					(8,845)	(8,845)
Grants and contributions not restricted to specific programs					218,466	218,466
Total general revenues					\$ 5,141,974	\$ 5,141,974
Change in net assets					2,188,930	2,188,930
Net assets - beginning					\$ 16,715,070	\$ 16,715,070
Net assets - ending					\$ 18,904,000	\$ 18,904,000

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

***FUND FINANCIAL STATEMENTS***

Town of Ashland, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General</u>	<u>Major Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 147,554	\$ 1,113,644	\$ 1,261,198
Investments	4,182,387	971,920	5,154,307
Receivables (net of allowance for uncollectibles):			
Taxes receivable	53,259	-	53,259
Accounts receivable	273,005	-	273,005
Due from other governmental units	128,546	477,722	606,268
Total assets	<u>\$ 4,784,751</u>	<u>\$ 2,563,286</u>	<u>\$ 7,348,037</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 73,401	\$ 244,406	\$ 317,807
Deferred revenue	46,952	-	46,952
Total liabilities	<u>\$ 120,353</u>	<u>\$ 244,406</u>	<u>\$ 364,759</u>
Fund balances:			
Reserved for:			
Construction	\$ -	\$ 2,318,880	\$ 2,318,880
Unreserved, reported in:			
General fund	4,664,398	-	4,664,398
Total fund balances	<u>\$ 4,664,398</u>	<u>\$ 2,318,880</u>	<u>\$ 6,983,278</u>
Total liabilities and fund balances	<u>\$ 4,784,751</u>	<u>\$ 2,563,286</u>	<u>\$ 7,348,037</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, 2006

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 6,983,278
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,339,509
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	46,952
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(465,739)
Net assets of governmental activities	<u>\$ 18,904,000</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, 2006

	<u>General</u>	<u>Major Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 655,553	\$ -	\$ 655,553
Other local taxes	4,040,223	-	4,040,223
Permits, privilege fees, and regulatory licenses	10,970	-	10,970
Fines and forfeitures	35,321	-	35,321
Revenue from the use of money and property	166,569	51,241	217,810
Charges for services	59,464	-	59,464
Miscellaneous	(8,845)	-	(8,845)
Recovered costs	230,373	387,584	617,957
Intergovernmental revenues:			
Commonwealth	1,578,683	-	1,578,683
Federal	7,597	1,197,826	1,205,423
Total revenues	<u>\$ 6,775,908</u>	<u>\$ 1,636,651</u>	<u>\$ 8,412,559</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 721,080	\$ -	\$ 721,080
Public safety	1,798,840	-	1,798,840
Public works	2,208,547	-	2,208,547
Parks, recreation, and cultural	181,026	-	181,026
Community development	521,458	-	521,458
Capital projects	-	1,728,983	1,728,983
Debt service:			
Principal retirement	175,000	-	175,000
Interest and other fiscal charges	40,827	-	40,827
Total expenditures	<u>\$ 5,646,778</u>	<u>\$ 1,728,983</u>	<u>\$ 7,375,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,129,130</u>	<u>\$ (92,332)</u>	<u>\$ 1,036,798</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 755,000	\$ 755,000
Transfers out	(755,000)	-	(755,000)
Total other financing sources (uses)	<u>\$ (755,000)</u>	<u>\$ 755,000</u>	<u>\$ -</u>
Net change in fund balances	\$ 374,130	\$ 662,668	\$ 1,036,798
Fund balances - beginning	4,290,268	1,656,212	5,946,480
Fund balances - ending	<u>\$ 4,664,398</u>	<u>\$ 2,318,880</u>	<u>\$ 6,983,278</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, 2006

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

Net change in fund balances - total governmental funds \$ 1,036,798

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlay	1,625,324	
Depreciation expense	<u>(517,261)</u>	1,108,063

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. 18,767

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. The following is a summary of items supporting this adjustment:

Principal retirement on general obligation bonds		34,111
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	(9,215)	
(Increase) decrease in interest payable	<u>406</u>	(8,809)

Change in net assets of governmental activities		<u><u>\$ 2,188,930</u></u>
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The notes to the financial statements are an integral part of this statement.

## TOWN OF ASHLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2006

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### ***Note 1—Summary of Significant Accounting Policies:***

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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 and fire protection; sanitation 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.

#### Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

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 changes in net assets) 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)**

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Statement of Activities - The new 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 new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current 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)**

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The Town has no blended component units at June 30, 2006.

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, 2006.

**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 provided have been met.

The government-wide statement of activities reflect 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)**

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**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 of primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time other 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. The General Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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**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.

Investments for the government, as well as for its component unit are reported at fair value.

**E. Investments**

Investments are stated at fair value which approximates market; no investments are value 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 “due 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 \$15,063 at June 30, 2006 is composed 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)**

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**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 Government 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 general 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)***

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**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 obligation 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 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:***

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

1. On or before May 1<sup>st</sup>, 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. 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 budget data presented in the accompanying financial statements is the revised budget as of June 30, 2006, 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, 2006.

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

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**Note 3—Deposits and Investments:**

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**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 (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

**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).

**Credit Risk of Debt Securities**

The Town's rated debt investments as of June 30, 2006 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	\$ -	\$ 4,375,636
Repurchase Agreements - Underlying: Mortgage Securities	778,671	-
Total	\$ 778,671	\$ 4,375,636

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

**Note 3— Deposits and Investments: (Continued)**

**Interest Rate Risk**

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Repurchase Agreements - Underlying:		
Mortgage Securities	\$ 778,671	\$ 778,671
Total	<u>\$ 778,671</u>	<u>\$ 778,671</u>

**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, 2006, the Town has receivables from other governments as follows:

Other Local Governments:	Primary Government
County of Hanover	\$ 185,598
Commonwealth of Virginia:	
Rolling stock tax	8,182
ABC profits	3,880
Mobile home titling tax	9,837
Wine tax	4,067
Auto rental tax	18,252
Federal Government:	
ISTEA grant	<u>376,452</u>
Total due from other governments	<u>\$ 606,268</u>

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2006:

**Primary Government:**

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,910,409	\$ -	\$ -	\$ 1,910,409
Construction in progress	-	9,469	-	9,469
<b>Total capital assets not subject to depreciation</b>	<b>\$ 1,910,409</b>	<b>\$ 9,469</b>	<b>\$ -</b>	<b>\$ 1,919,878</b>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,932,345	\$ -	\$ -	\$ 1,932,345
Infrastructure	8,748,588	1,412,955	-	10,161,543
Machinery and equipment	1,755,125	202,901	-	1,958,026
<b>Total capital assets subject to depreciation</b>	<b>\$ 12,436,058</b>	<b>\$ 1,615,856</b>	<b>\$ -</b>	<b>\$ 14,051,914</b>
Less accumulated depreciation for:				
Buildings and improvements	\$ 521,837	\$ 66,343	\$ -	\$ 588,180
Infrastructure	1,340,993	275,326	-	1,616,319
Machinery and equipment	1,252,191	175,593	-	1,427,784
<b>Total accumulated depreciation</b>	<b>\$ 3,115,021</b>	<b>\$ 517,262</b>	<b>\$ -</b>	<b>\$ 3,632,283</b>
<b>Total capital assets subject to depreciation, net</b>	<b>\$ 9,321,037</b>	<b>\$ 1,098,594</b>	<b>\$ -</b>	<b>\$ 10,419,631</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 11,231,446</b>	<b>\$ 1,108,063</b>	<b>\$ -</b>	<b>\$ 12,339,509</b>

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

Governmental activities:	
General government	\$ 39,054
Public safety	81,105
Public works	339,918
Parks, recreation and cultural	50,670
Community development	6,515
<b>Total depreciation expense - governmental activities</b>	<b>\$ 517,262</b>

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

**Note 6—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government Obligations:		
General Fund	\$ -	\$ 755,000
Capital Projects Fund	755,000	-
Total	<u>\$ 755,000</u>	<u>\$ 755,000</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:**

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

	Amounts Payable at July 1, 2005	Increases	Decreases	Amounts Payable at June 30, 2006	Amounts Due Within One Year
Primary Government Obligations:					
General Fund Obligations:					
Compensated absences payable	\$ 192,222	\$ 9,215	\$ -	\$ 201,437	\$ 20,143
General obligation bond	295,300	-	34,111	261,189	34,111
Total General Fund Obligations	<u>\$ 487,522</u>	<u>\$ 9,215</u>	<u>\$ 34,111</u>	<u>\$ 462,626</u>	<u>\$ 54,254</u>

Year Ending June 30	General Obligation Bond	
	Principal	Interest
2007	\$ 175,000	\$ 35,821
2008	180,000	30,745
2009	190,000	25,454
2010	190,000	20,020
2011	200,000	14,443
2012	200,000	8,723
2013	205,000	2,932
Less: County of Hanover's Portion	<u>(1,078,811)</u>	<u>(111,213)</u>
Total	<u>\$ 261,189</u>	<u>\$ 26,925</u>

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

**Note 7—Long Term Obligations: (Continued)**

**Long-Term Obligations:**

	<u>Total Amount</u>
<b><u>General Obligation Bond :</u></b>	
\$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.	\$ 1,340,000
Less: Portion paid by County of Hanover	(1,078,811)
Total General Obligation Bonds	<u>\$ 261,189</u>
Compensated absences (payable from General Fund)	<u>\$ 201,437</u>
Total Long-Term Obligations, General Fund	<u><u>\$ 462,626</u></u>

On January 11, 1995, the Town and Hanover County, 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 County agreed to pay the Town all principal and interest due on outstanding amounts borrowed and expended by the Town, prior to January 11, 1995, for improvements to the system. During the fiscal year ended June 30, 2006, \$173,758 was received from the County. The amounts expected to be received for each of the Town's fiscal years ending June 30 for principal and interest are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 140,889	\$ 28,839
2008	144,915	24,752
2009	152,966	20,493
2010	152,966	16,118
2011	161,016	11,628
2012	161,017	7,023
2013	<u>165,042</u>	<u>2,360</u>
Total	<u><u>\$ 1,078,811</u></u>	<u><u>\$ 111,213</u></u>

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

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**Note 8—Deferred Revenue:**

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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 \$46,952 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$46,952 at June 30, 2006.

**Note 9—Litigation:**

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At June 30, 2006, 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:**

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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 Funds. 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 contract 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 is 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:**

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**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 1.7 percent of their average final compensation (AFC) for each year of credited service. 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 increases limited to 5% per year beginning in their second year of retirement. 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/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed the 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund 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 2006 was 8.5% of annual covered payroll.

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

**Note 11 – Defined Benefit Pension Plan: (Continued)**

**Primary Government: (Continued)**

**C. Annual Pension Cost**

For fiscal 2006, the Town’s annual pension cost of \$189,176 was equal to the Town’s required and actuarial contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

	<u>Town</u>
Valuation date	June 30, 2003
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Payroll growth rate	3%
Remaining amortization period	15 years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return <sup>1</sup>	8.00%
Projected salary increases: <sup>1</sup>	
Non LEO Employees	4.25% to 6.10%
LEO Employees	4.50% to 5.75%
Cost-of-living adjustments	3.00%
<sup>1</sup> Includes inflation at 3%	

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, 2006	\$ 189,176	100%	\$ -
June 30, 2005	172,743	100%	-
June 30, 2004	152,116	100%	-

(1) Employer portion only

Town of Ashland, Virginia

Notes to Financial Statements  
As of June 30, 2006 (Continued)

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**Note 12 – Surety Bonds:**

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	<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 13 – Deferred Compensation Plan:**

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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 off 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.

**Note 14 – Town/County Agreement:**

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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 County is responsible for all related debt service payments (see Note 7), for maintenance and operation of the system within Ashland, for continued employment of all Town utility personnel, and guarantees 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

***Note to Required Supplementary Information:***

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

Town of Ashland, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 635,000	\$ 635,000	\$ 655,553	\$ 20,553
Other local taxes	3,606,500	3,606,500	4,040,223	433,723
Permits, privilege fees, and regulatory licenses	11,700	11,700	10,970	(730)
Fines and forfeitures	26,500	26,500	35,321	8,821
Revenue from the use of money and property	57,500	57,500	166,569	109,069
Charges for services	50,000	50,000	59,464	9,464
Miscellaneous	4,500	4,500	(8,845)	(13,345)
Recovered costs	173,758	173,758	230,373	56,615
Intergovernmental revenues:				
Commonwealth	1,528,271	1,528,271	1,578,683	50,412
Federal	5,000	15,170	7,597	(7,573)
Total revenues	<u>\$ 6,098,729</u>	<u>\$ 6,108,899</u>	<u>\$ 6,775,908</u>	<u>\$ 667,009</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 718,356	\$ 718,356	\$ 721,080	\$ (2,724)
Public safety	1,833,411	1,843,581	1,798,840	44,741
Public works	2,329,112	2,329,112	2,208,547	120,565
Parks, recreation, and cultural	167,675	167,675	181,026	(13,351)
Community development	650,374	650,374	521,458	128,916
Debt service:				
Principal retirement	175,000	175,000	175,000	-
Interest and other fiscal charges	40,827	40,827	40,827	-
Total expenditures	<u>\$ 5,914,755</u>	<u>\$ 5,924,925</u>	<u>\$ 5,646,778</u>	<u>\$ 278,147</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 183,974</u>	<u>\$ 183,974</u>	<u>\$ 1,129,130</u>	<u>\$ 945,156</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (755,000)	\$ (755,000)	\$ (755,000)	\$ -
Total other financing sources and uses	<u>\$ (755,000)</u>	<u>\$ (755,000)</u>	<u>\$ (755,000)</u>	<u>\$ -</u>
Net change in fund balances	\$ (571,026)	\$ (571,026)	\$ 374,130	\$ 945,156
Fund balances - beginning	571,026	571,026	4,290,268	3,719,242
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,664,398</u>	<u>\$ 4,664,398</u>

Town of Ashland  
 Schedule of Pension Funding Progress  
 As of June 30, 2006

Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
6/30/1999	3,584,854	3,860,293	275,439	92.86%	1,480,425	18.61%
6/30/1998	3,006,645	3,032,463	25,818	99.15%	1,380,343	1.87%

***OTHER SUPPLEMENTARY INFORMATION***

Town of Ashland, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 19,048	\$ 19,048	\$ 51,241	\$ 32,193
Miscellaneous	-	-	-	-
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Federal	3,346,828	3,346,828	1,197,826	(2,149,002)
Total revenues	<u>\$ 3,365,876</u>	<u>\$ 3,365,876</u>	<u>\$ 1,636,651</u>	<u>\$ (1,729,225)</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 5,637,189	\$ 5,637,189	\$ 1,728,983	\$ 3,908,206
Total expenditures	<u>\$ 5,637,189</u>	<u>\$ 5,637,189</u>	<u>\$ 1,728,983</u>	<u>\$ 3,908,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,271,313)</u>	<u>\$ (2,271,313)</u>	<u>\$ (92,332)</u>	<u>\$ 2,178,981</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 755,000	\$ 755,000	\$ 755,000	\$ -
Total other financing sources and uses	<u>\$ 755,000</u>	<u>\$ 755,000</u>	<u>\$ 755,000</u>	<u>\$ -</u>
Net change in fund balances	\$ (1,516,313)	\$ (1,516,313)	\$ 662,668	\$ 2,178,981
Fund balances - beginning	1,516,313	1,516,313	1,656,212	139,899
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,318,880</u>	<u>\$ 2,318,880</u>

***DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY***

**Town of Ashland, Virginia**  
**Statement of Net Assets**  
**Discretely Presented Component Unit - Economic Development Authority**  
**June 30, 2006**

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 125,864
Total assets	<u>\$ 125,864</u>

**NET ASSETS**

## Unrestricted

Total net assets	<u>\$ 125,864</u>
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**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, 2006**

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**OPERATING REVENUES**

Charges for services:

Miscellaneous	\$ 14,472
Total operating revenues	\$ 14,472

**OPERATING EXPENSES**

Other supplies and expenses	\$ 391
Total operating expenses	\$ 391

Operating income (loss)	\$ 14,081
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**NONOPERATING REVENUES (EXPENSES)**

Investment earnings	\$ 107
Total nonoperating revenues (expenses)	\$ 107

Change in net assets	\$ 14,188
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Total net assets - beginning	\$ 111,676
Total net assets - ending	\$ 125,864

**Town of Ashland, Virginia**  
**Statement of Cash Flows**  
**Discretely Presented Component Unit - Economic Development Authority**  
**For the Year Ended June 30, 2006**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from miscellaneous items	\$ 14,472
Payments to operating activities	(391)
Net cash provided (used by) operating activities	<u>\$ 14,081</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends received	\$ 107
Net cash provided (used) by investing activities	<u>\$ 107</u>

Net increase (decrease) in cash and cash equivalents \$ 14,188

Cash and cash equivalents - beginning - including restricted	111,676
Cash and cash equivalents - ending - including restricted	<u><u>\$ 125,864</u></u>

**Reconciliation of operating income (loss) to net cash  
provided by operating activities:**

Operating income (loss)	\$ 14,081
Net cash provided (used) by operating activities	<u><u>\$ 14,081</u></u>

## ***SUPPORTING SCHEDULES***

Town of Ashland, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

Schedule 1  
Page 1 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 342,000	\$ 342,000	\$ 339,383	\$ (2,617)
Real and personal public service corporation taxes	25,000	25,000	22,338	(2,662)
Personal property taxes	225,000	225,000	262,812	37,812
Mobile home taxes	3,000	3,000	1,942	(1,058)
Machinery and tools taxes	10,000	10,000	7,939	(2,061)
Penalties	17,000	17,000	15,533	(1,467)
Interest	13,000	13,000	5,606	(7,394)
Total general property taxes	<u>\$ 635,000</u>	<u>\$ 635,000</u>	<u>\$ 655,553</u>	<u>\$ 20,553</u>
Other local taxes:				
Local sales and use taxes	\$ 405,000	\$ 405,000	\$ 440,046	\$ 35,046
Consumers' utility taxes	295,000	295,000	341,277	46,277
Franchise licenses taxes	35,000	35,000	72,220	37,220
Consumption taxes	25,000	25,000	37,019	12,019
Business license taxes	530,000	530,000	531,374	1,374
Motor vehicle licenses	119,500	119,500	126,064	6,564
Bank stock taxes	77,000	77,000	170,662	93,662
Hotel and motel room taxes	445,000	445,000	581,342	136,342
Restaurant food taxes	1,675,000	1,675,000	1,740,219	65,219
Total other local taxes	<u>\$ 3,606,500</u>	<u>\$ 3,606,500</u>	<u>\$ 4,040,223</u>	<u>\$ 433,723</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 11,700	\$ 11,700	\$ 10,970	\$ (730)
Fines and forfeitures:				
Court fines and forfeitures	\$ 26,500	\$ 26,500	\$ 35,321	\$ 8,821
Revenue from use of money and property:				
Revenue from use of money	\$ 45,000	\$ 45,000	\$ 153,759	\$ 108,759
Revenue from use of property	12,500	12,500	12,810	310
Total revenue from use of money and property	<u>\$ 57,500</u>	<u>\$ 57,500</u>	<u>\$ 166,569</u>	<u>\$ 109,069</u>
Charges for services:				
Charges for parks and recreation	\$ 50,000	\$ 50,000	\$ 59,464	\$ 9,464
Miscellaneous revenue:				
Miscellaneous	\$ 4,500	\$ 4,500	\$ (8,845)	\$ (13,345)
Recovered costs:				
Hanover County	\$ 173,758	\$ 173,758	\$ 173,758	\$ -
Reimbursement from employee deductions	-	-	56,615	56,615
Total recovered costs	<u>\$ 173,758</u>	<u>\$ 173,758</u>	<u>\$ 230,373</u>	<u>\$ 56,615</u>
Total revenue from local sources	<u>\$ 4,565,458</u>	<u>\$ 4,565,458</u>	<u>\$ 5,189,628</u>	<u>\$ 624,170</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 11,000	\$ 11,000	\$ 3,880	\$ (7,120)
Wine taxes	8,000	8,000	4,067	(3,933)
Motor vehicle carriers' tax	8,100	8,100	8,182	82
Mobile home titling tax	15,000	15,000	19,629	4,629

Town of Ashland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006

Schedule 1  
 Page 2 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Noncategorical aid: (Continued)				
Motor vehicle rental tax	\$ 70,000	\$ 70,000	\$ 74,736	\$ 4,736
Personal property tax relief funds	102,000	102,000	107,972	5,972
Total noncategorical aid	<u>\$ 214,100</u>	<u>\$ 214,100</u>	<u>\$ 218,466</u>	<u>\$ 4,366</u>
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	\$ 1,110,000	\$ 1,110,000	\$ 1,148,568	\$ 38,568
DJCP grant	188,000	188,000	188,248	248
Litter control grant	2,300	2,300	3,405	1,105
Fire programs	8,871	8,871	14,996	6,125
Performing arts grant	5,000	5,000	5,000	-
Total other categorical aid	<u>\$ 1,314,171</u>	<u>\$ 1,314,171</u>	<u>\$ 1,360,217</u>	<u>\$ 46,046</u>
Total categorical aid	<u>\$ 1,314,171</u>	<u>\$ 1,314,171</u>	<u>\$ 1,360,217</u>	<u>\$ 46,046</u>
Total revenue from the Commonwealth	<u>\$ 1,528,271</u>	<u>\$ 1,528,271</u>	<u>\$ 1,578,683</u>	<u>\$ 50,412</u>
Revenue from the federal government:				
Categorical aid:				
State homeland security grant	\$ -	\$ 5,759	\$ 5,759	\$ -
State and community highway safety program	-	1,500	1,500	-
Local law enforcement block grant	5,000	7,911	338	(7,573)
Total categorical aid	<u>\$ 5,000</u>	<u>\$ 15,170</u>	<u>\$ 7,597</u>	<u>\$ (7,573)</u>
Total revenue from the federal government	<u>\$ 5,000</u>	<u>\$ 15,170</u>	<u>\$ 7,597</u>	<u>\$ (7,573)</u>
Total General Fund	<u>\$ 6,098,729</u>	<u>\$ 6,108,899</u>	<u>\$ 6,775,908</u>	<u>\$ 667,009</u>
<b>Capital Projects Fund:</b>				
<b>Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 19,048	\$ 19,048	\$ 51,241	\$ 32,193
Recovered costs:				
Hanover County	\$ -	\$ -	\$ 174,447	\$ 174,447
Transportation proffers	-	-	213,137	213,137
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,584</u>	<u>\$ 387,584</u>
Total revenue from local sources	<u>\$ 19,048</u>	<u>\$ 19,048</u>	<u>\$ 438,825</u>	<u>\$ 419,777</u>
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	\$ 3,346,828	\$ 3,346,828	\$ 1,197,826	\$ (2,149,002)
Total County Capital Improvements Fund	<u>\$ 3,365,876</u>	<u>\$ 3,365,876</u>	<u>\$ 1,636,651</u>	<u>\$ (1,729,225)</u>
Total Primary Government	<u>\$ 9,464,605</u>	<u>\$ 9,474,775</u>	<u>\$ 8,412,559</u>	<u>\$ (1,062,216)</u>

Town of Ashland, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

Schedule 2  
Page 1 of 2

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town council	\$ 50,546	\$ 50,546	\$ 39,145	\$ 11,401
General and financial administration:				
Town manager	\$ 376,629	\$ 376,629	\$ 392,833	\$ (16,204)
Treasurer	232,581	232,581	244,670	(12,089)
Information technology	57,100	57,100	41,955	15,145
Total general and financial administration	<u>\$ 666,310</u>	<u>\$ 666,310</u>	<u>\$ 679,458</u>	<u>\$ (13,148)</u>
Board of elections:				
Electoral board and officials	\$ 1,500	\$ 1,500	\$ 2,477	\$ (977)
Total general government administration	<u>\$ 718,356</u>	<u>\$ 718,356</u>	<u>\$ 721,080</u>	<u>\$ (2,724)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,771,411	\$ 1,781,581	\$ 1,746,032	\$ 35,549
Fire and rescue services:				
Fire department	\$ 52,000	\$ 52,000	\$ 42,808	\$ 9,192
Ambulance and rescue services	10,000	10,000	10,000	-
Total fire and rescue services	<u>\$ 62,000</u>	<u>\$ 62,000</u>	<u>\$ 52,808</u>	<u>\$ 9,192</u>
Total public safety	<u>\$ 1,833,411</u>	<u>\$ 1,843,581</u>	<u>\$ 1,798,840</u>	<u>\$ 44,741</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering and administration	\$ 408,644	\$ 408,644	\$ 393,376	\$ 15,268
Street maintenance	1,092,634	1,092,634	1,123,027	(30,393)
Storm damage	30,000	30,000	35,225	(5,225)
Street lights	35,000	35,000	49,388	(14,388)
Snow and ice removal	77,000	77,000	17,083	59,917
Traffic engineering	54,725	54,725	20,593	34,132
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1,698,003</u>	<u>\$ 1,698,003</u>	<u>\$ 1,638,692</u>	<u>\$ 59,311</u>
Sanitation and waste removal:				
Refuse collection	\$ 246,000	\$ 246,000	\$ 228,178	\$ 17,822
Litter control	38,000	38,000	25,113	12,887
Total sanitation and waste removal	<u>\$ 284,000</u>	<u>\$ 284,000</u>	<u>\$ 253,291</u>	<u>\$ 30,709</u>
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 192,028	\$ 192,028	\$ 161,816	\$ 30,212
Vehicle maintenance	155,081	155,081	154,748	333
Total maintenance of general buildings and grounds	<u>\$ 347,109</u>	<u>\$ 347,109</u>	<u>\$ 316,564</u>	<u>\$ 30,545</u>
Total public works	<u>\$ 2,329,112</u>	<u>\$ 2,329,112</u>	<u>\$ 2,208,547</u>	<u>\$ 120,565</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 167,675	\$ 167,675	\$ 181,026	\$ (13,351)
Total parks, recreation, and cultural	<u>\$ 167,675</u>	<u>\$ 167,675</u>	<u>\$ 181,026</u>	<u>\$ (13,351)</u>

Town of Ashland, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

Schedule 2  
Page 2 of 2

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development:				
Planning	\$ 358,510	\$ 358,510	\$ 334,771	\$ 23,739
Tourism	140,782	140,782	130,129	10,653
Business assistance	151,082	151,082	56,558	94,524
Total planning and community development	<u>\$ 650,374</u>	<u>\$ 650,374</u>	<u>\$ 521,458</u>	<u>\$ 128,916</u>
Total community development	<u>\$ 650,374</u>	<u>\$ 650,374</u>	<u>\$ 521,458</u>	<u>\$ 128,916</u>
Debt service:				
Principal retirement	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Interest and other fiscal charges	40,827	40,827	40,827	-
Total debt service	<u>\$ 215,827</u>	<u>\$ 215,827</u>	<u>\$ 215,827</u>	<u>\$ -</u>
Total General Fund	<u>\$ 5,914,755</u>	<u>\$ 5,924,925</u>	<u>\$ 5,646,778</u>	<u>\$ 278,147</u>
<b>Capital Projects Fund:</b>				
<b>Capital Improvements Fund:</b>				
Capital projects expenditures:				
Town hall improvements	\$ 49,568	\$ 49,568	\$ 9,469	\$ 40,099
Public works - streets	4,920,951	4,920,951	1,711,909	3,209,042
Storm water management	104,530	104,530	-	104,530
Vehicle maintenance	187,832	187,832	-	187,832
Parks and recreation	230,572	230,572	7,605	222,967
Contingencies	143,736	143,736	-	143,736
Total capital projects	<u>\$ 5,637,189</u>	<u>\$ 5,637,189</u>	<u>\$ 1,728,983</u>	<u>\$ 3,908,206</u>
Total Capital Projects Fund	<u>\$ 5,637,189</u>	<u>\$ 5,637,189</u>	<u>\$ 1,728,983</u>	<u>\$ 3,908,206</u>
Total Primary Government	<u>\$ 11,551,944</u>	<u>\$ 11,562,114</u>	<u>\$ 7,375,761</u>	<u>\$ 4,186,353</u>

**STATISTICAL  
SECTION**

## STATISTICAL SECTION

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<u>Contents</u>	<u>Tables</u>
<i>Financial Trends:</i> 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
<i>Revenue Capacity:</i> 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
<i>Debt Capacity:</i> 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
<i>Demographic and Economic Information:</i> This table offers 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
<i>Operating Information:</i> These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information related to the services the Town provides and the activities it performs	15 - 17
<i>Sources:</i> Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The Town implemented GASB Statement 34 in the fiscal year 2004; schedules presenting government-wide information include information beginning in that year.	

## Town of Ashland, Virginia

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

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	\$ 10,435,633	\$ 10,936,147	\$ 12,078,320
Restricted	1,614,547	1,656,212	2,318,880
Unrestricted	3,765,068	4,122,711	4,506,800
Total governmental activities net assets	<u>\$ 15,815,248</u>	<u>\$ 16,715,070</u>	<u>\$ 18,904,000</u>

**Changes in Net Assets  
Last Three Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year		
	2004	2005	2006
<b>Expenses</b>			
Governmental activities:			
General government	\$ 590,022	\$ 648,828	\$ 703,671
Public safety	1,691,700	1,823,269	1,854,281
Public works	1,411,090	2,386,112	2,289,263
Parks, recreation and cultural	122,850	133,377	239,301
Community development	496,957	481,643	530,371
Interest on long-term debt	14,176	8,796	7,552
Total governmental activities expenses	<u>\$ 4,326,795</u>	<u>\$ 5,482,025</u>	<u>\$ 5,624,439</u>
Total primary government expenses	<u><u>\$ 4,326,795</u></u>	<u><u>\$ 5,482,025</u></u>	<u><u>\$ 5,624,439</u></u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
Public safety	\$ 67,690	\$ 25,747	\$ 35,321
Public works	-	23,250	10,970
Parks, recreation and cultural	51,267	54,101	59,464
Operating grants and contributions	1,491,777	1,638,609	2,565,640
Capital grants and contributions	565,035	22,798	-
Total governmental activities program revenues	<u>\$ 2,175,769</u>	<u>\$ 1,764,505</u>	<u>\$ 2,671,395</u>
Total primary government program revenues	<u><u>\$ 2,175,769</u></u>	<u><u>\$ 1,764,505</u></u>	<u><u>\$ 2,671,395</u></u>
<b>Net (Expense) / Revenue</b>			
Governmental activities	<u>\$ (2,151,026)</u>	<u>\$ (3,717,520)</u>	<u>\$ (2,953,044)</u>
Total primary government net expense	<u><u>\$ (2,151,026)</u></u>	<u><u>\$ (3,717,520)</u></u>	<u><u>\$ (2,953,044)</u></u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes:			
Property taxes	\$ 700,846	\$ 664,271	\$ 674,320
Local sales and use taxes	359,046	417,411	440,046
Consumer utility taxes	293,386	300,585	341,277
Business licenses taxes	522,563	437,781	531,374
Restaurant food taxes	1,205,899	1,585,208	1,740,219
Other local taxes	680,385	868,445	987,307

**Changes in Net Assets  
Last Three Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year		
	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets (Continued)</b>			
Governmental activities: (Continued)			
Unrestricted revenues from use of money and property	\$ 60,018	\$ 93,786	\$ 217,810
Miscellaneous	116,839	38,097	(8,845)
Unrestricted grants and contributions	204,327	217,038	218,466
Gain (loss) on disposal of capital assets	-	(5,280)	-
Total governmental activities	<u>\$ 4,143,309</u>	<u>\$ 4,617,342</u>	<u>\$ 5,141,974</u>
Total primary government	<u><u>\$ 4,143,309</u></u>	<u><u>\$ 4,617,342</u></u>	<u><u>\$ 5,141,974</u></u>
<b>Change in Net Assets:</b>			
Governmental activities	<u>\$ 1,992,283</u>	<u>\$ 899,822</u>	<u>\$ 2,188,930</u>
Total primary government	<u><u>\$ 1,992,283</u></u>	<u><u>\$ 899,822</u></u>	<u><u>\$ 2,188,930</u></u>

## Town of Ashland, Virginia

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Unreserved	<u>\$ 3,933,094</u>	<u>\$ 3,636,499</u>	<u>\$ 3,949,013</u>	<u>\$ 4,290,267</u>	<u>\$ 4,664,398</u>
Total general fund	<u>\$ 3,933,094</u>	<u>\$ 3,636,499</u>	<u>\$ 3,949,013</u>	<u>\$ 4,290,267</u>	<u>\$ 4,664,398</u>
All other governmental funds					
Reserved	<u>\$ 1,302,425</u>	<u>\$ 2,878,084</u>	<u>\$ 1,614,547</u>	<u>\$ 1,656,212</u>	<u>\$ 2,318,880</u>
Total all other governmental funds	<u>\$ 1,302,425</u>	<u>\$ 2,878,084</u>	<u>\$ 1,614,547</u>	<u>\$ 1,656,212</u>	<u>\$ 2,318,880</u>

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

Table 4

## Town of Ashland, Virginia

**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years (1)**  
**(modified accrual basis of accounting)**

	2002	2003	2004	2005	2006
<b>Revenues</b>					
General property taxes	645,992	704,484	703,906	642,808	655,553
Other local taxes	2,694,153	2,676,748	3,061,279	3,609,430	4,040,223
Permits, privilege fees and regulatory licenses	16,506	464,125	34,805	23,250	10,970
Fines and forfeitures	58,638	34,944	32,885	25,747	35,321
Revenue from use of money and property	150,571	89,344	60,018	93,785	217,810
Charges for services	61,371	50,561	51,267	54,101	59,464
Miscellaneous	55,060	486	116,839	38,097	(8,845)
Recovered costs	948,693	1,133,053	138,164	26,106	617,957
Intergovernmental:					
Local	-	-	402,500	-	-
Commonwealth	1,383,379	3,195,159	1,498,404	1,581,375	1,578,683
Federal	25,184	10,025	360,235	297,070	1,205,423
<b>Total revenues</b>	<b>6,039,547</b>	<b>8,358,929</b>	<b>6,460,302</b>	<b>6,391,769</b>	<b>8,412,559</b>
<b>Expenditures</b>					
General government administration	776,364	746,589	631,586	634,925	721,080
Judicial administration	-	-	-	-	-
Public safety	1,511,806	1,578,814	1,688,311	1,793,993	1,798,840
Public works	1,413,683	1,474,805	1,828,199	2,109,254	2,208,547
Health and welfare	1,585	-	-	-	-
Education	-	-	-	-	-
Parks, recreation and cultural	120,808	61,691	80,134	82,707	181,026
Community development	388,869	440,402	543,920	477,828	521,458
Capital projects	1,414,716	1,846,011	2,380,005	721,860	1,728,983
Debt service:					
Principal	750,000	790,000	169,578	177,375	175,000
Interest and other fiscal charges	219,583	221,553	89,592	10,910	40,827
<b>Total expenditures</b>	<b>6,597,414</b>	<b>7,159,865</b>	<b>7,411,325</b>	<b>6,008,852</b>	<b>7,375,761</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(557,867)</b>	<b>1,199,064</b>	<b>(951,023)</b>	<b>382,917</b>	<b>1,036,798</b>
<b>Other financing sources (uses)</b>					
Transfers in	790,000	935,000	482,557	415,000	755,000
Transfers out	(790,000)	(935,000)	(482,557)	(415,000)	(755,000)
Refunding bonds issued	-	2,470,000	-	-	-
Payments to refunded bond escrow agent	-	(2,390,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(557,867)</b>	<b>1,279,064</b>	<b>(951,023)</b>	<b>382,917</b>	<b>1,036,798</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>18.71%</b>	<b>19.04%</b>	<b>5.15%</b>	<b>3.56%</b>	<b>3.82%</b>

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

Table 5

## Town of Ashland, Virginia

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes (1)	Machinery and Tools	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	499,097,100	51,403,965	2,960,580	1,031,000	31,147,403	585,640,048	585,640,048	100.00%
2005	463,076,000	58,525,770	3,572,280	1,016,205	37,271,972	563,462,227	563,462,227	100.00%
2004	444,918,100	47,652,805	-	1,865,505	38,386,149	532,822,559	532,822,559	100.00%
2003	414,207,367	46,960,148	-	1,867,475	37,058,405	500,093,395	500,093,395	100.00%
2002	393,332,700	45,181,470	-	1,447,765	38,465,830	478,427,765	478,427,765	100.00%
2001	356,169,200	42,517,650	-	1,179,210	32,945,978	432,812,038	432,812,038	100.00%
2000	341,966,200	39,131,388	-	1,127,135	33,684,037	415,908,760	415,908,760	100.00%
1999	320,986,500	37,851,080	-	1,041,355	33,538,507	393,417,442	393,417,442	100.00%
1998	307,543,200	35,639,990	-	939,065	41,681,517	385,803,772	385,803,772	100.00%
1997	293,533,900	32,446,071	-	797,000	36,325,794	363,102,765	363,102,765	100.00%

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

Source: Commissioner of Revenue

Town of Ashland, Virginia

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

Fiscal Years	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	
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	
2000	0.10	0.77	0.10	0.77	0.83	3.64	0.83	3.64	1.90	
1999	0.10	0.77	0.10	0.77	0.73	3.64	0.73	3.64	1.90	
1998	0.10	0.77	0.10	0.77	0.73	3.64	0.73	3.64	1.90	
1997	0.10	0.90	0.10	0.90	0.73	3.64	0.73	3.64	1.90	

(1) Per \$100 of assessed value

Table 7

Town of Ashland, Virginia

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2006			Fiscal Year 1997		
		2005		% of Total	1996		% of Total
		Assessed Valuation	Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	
Verizon Virginia	Utility	19,243,486		3.29%	-		0.00%
Ashland Hanover LLC	Shopping Center	10,630,000		1.82%	-		0.00%
Ashland Town Square-REO	Apartments	9,029,700		1.54%	4,649,600		1.28%
Virginia Electric & Power	Utility	8,998,108		1.54%	-		0.00%
Landmark Company of Virginia Inc	Commercial	8,310,300		1.42%	-		0.00%
Ashland Junction LLC	Shopping Center	7,825,200		1.34%	7,091,500		1.95%
Sedgefield Mobile Associates LP	Mobile Home Community	7,518,600		1.28%	4,591,200		1.26%
Wal-mart Real Estate Bus. Trust	Shopping Center	6,857,500		1.17%	-		0.00%
Shreeji Swami Hospitality LLC	Hotel	4,515,200		0.77%	-		0.00%
N J Properties LLC	Motel	4,399,100		0.75%	-		0.00%
Bell Atlantic Virginia	Utility	-		0.00%	23,639,743		6.52%
Ashland Group Limited Partnership	Shopping Center	-		0.00%	11,308,100		3.12%
Millbank Hotel Partners	Hotel	-		0.00%	4,005,000		1.10%
Bell Atlantic Properties	Utility	-		0.00%	3,909,400		1.08%
J. L. Culpepper & Company, Inc.	Commercial	-		0.00%	3,640,400		1.00%
Liberty Property Limited Partnership	Commercial	-		0.00%	3,530,800		0.97%
TA Operating Corporation	Commercial	-		0.00%	3,502,100		0.96%
		<u>87,327,194</u>		<u>14.91%</u>	<u>69,867,843</u>		<u>19.24%</u>

Source: Commissioner of Revenue

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
2006	\$ 757,267	\$ 731,879	96.65%	\$ 9,353	\$ 741,232	97.88%
2005	751,446	715,144	95.17%	3,377	718,521	95.62%
2004	779,925	764,201	97.98%	14,315	778,516	99.82%
2003	756,148	739,987	97.86%	23,211	763,198	100.93%
2002	720,145	614,168	85.28%	84,046	698,214	96.95%
2001	694,926	658,905	94.82%	30,191	689,096	99.16%
2000	647,747	628,059	96.96%	25,009	653,068	100.82%
1999	632,107	590,357	93.40%	26,103	616,460	97.52%
1998	596,083	579,825	97.27%	35,794	615,619	103.28%
1997	551,622	534,775	96.95%	9,754	544,529	98.71%

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 Years	Governmental Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds			
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
2000	5,475,000	5,475,000	6.78%	740
1999	6,165,000	6,165,000	7.64%	979
1998	6,800,000	6,800,000	8.42%	1,079
1997	7,395,000	7,395,000	9.16%	1,174

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 16

## 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)
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
2000	5,475,000	-	5,475,000	1.32%	740.47
1999	6,165,000	-	6,165,000	1.57%	978.57
1998	6,800,000	-	6,800,000	1.76%	1,079.37
1997	7,395,000	-	7,395,000	2.04%	1,173.81

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds,

## Town of Ashland, Virginia

**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Ashland	261,189	100.00%	<u>261,189</u>
Subtotal, overlapping debt			
County of Hanover, direct debt	130,499,928	6.82%	<u>8,900,095</u>
Total direct and overlapping debt			<u><u>8,900,095</u></u>

(1) Based on 2004 assessed valuations.

Town of Ashland, Virginia

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit (10% of total assessed value)	36,310,277	38,580,377	39,341,744	41,590,876	43,281,204	47,842,777	50,009,340	53,282,256	56,346,223	58,564,005
Total net debt applicable to limit	7,395,000	6,800,000	6,165,000	5,475,000	4,755,000	4,005,000	642,253	472,675	295,300	261,189
Legal debt margin	28,915,277	31,780,377	33,176,744	36,115,876	38,526,204	43,837,777	49,367,087	52,809,581	56,050,923	58,302,816
Total net debt applicable to the limit as a percentage of debt limit	20.37%	17.63%	15.67%	13.16%	10.99%	8.37%	1.28%	0.89%	0.52%	0.45%

Legal Debt Margin Calculation for Fiscal Year 2006	
Total assessed value	585,640,048
Debt limit (10% of total assessed value)	58,564,005
Net debt applicable to limit	261,189
Legal debt margin	58,302,816

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)
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%
2000	7,394	80,725,324	10,918	34.5	16,310	1.50%
1999	6,300	80,725,324	12,814	34.5	15,817	1.70%
1998	6,300	80,725,324	12,814	34.5	15,236	2.20%
1997	6,300	80,725,324	12,814	34.5	14,585	2.60%

(1) 2000-2005 U. S. Census Bureau; 1996-2000 Town of Ashland estimate.

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

(3) Weldon Cooper Center.

(4) 1996-2002 Hanover County planning department estimates; 2003-2005 U. S. Census Bureau.

(5) Hanover County School Board.

(6) Virginia Employment Commission.

Table 14

Town of Ashland, Virginia

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2006			Fiscal Year 1997		
	Employees	Rank	% of Total Town Employment	Employees	Rank	% of Total Town Employment

Principal employer information not available for the Town of Ashland, Virginia, as all information is combined with the County of Hanover.

Town of Ashland, Virginia

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

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	6	6	10	12	11	11	11	13	8	8
Public safety										
Police department	24	25	24	24	24	24	24	26	27	28
Public works										
Maintenance department	21	20	17	20	21	21	18	24	24	24
Community development										
Planning	2	2	2	2	3	3	4	6	6	6
Totals	53	53	53	58	59	59	57	69	65	66

Source: Individual town departments

Town of Ashland, Virginia

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Building inspections:										
Permits issued	107	96	97	186	103	117	101	81	109	97

Source: Individual town department

Town of Ashland, Virginia

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Vehicles	3	3	4	4	4	4	5	6	6	6
Public safety										
Police department:										
Patrol units	17	18	20	21	21	21	21	21	21	21
Other vehicles	3	2	2	2	2	2	2	2	2	2
Public works										
General maintenance:										
Trucks/vehicles	29	29	21	22	23	22	22	21	21	20
Equipment	53	53	50	50	53	60	71	82	90	98
Culture and recreation:										
Parks and recreation:										
Parks acreage	20.22	20.22	21.92	21.92	21.92	21.92	21.92	23.00	23.22	23.22
Swimming pools	1	1	1	1	1	1	1	1	1	1

Source: Individual town departments

**COMPLIANCE  
SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ashland, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the Town of Ashland, Virginia's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the of Ashland, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Town Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
October 6, 2006

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## ***Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133***

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

### **Compliance**

We have audited the compliance of the Town of Ashland, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The Town of Ashland, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Ashland, Virginia's management. Our responsibility is to express an opinion on the Town of Ashland, Virginia's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Ashland, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Ashland, Virginia's compliance with those requirements.

In our opinion, the Town of Ashland, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of the Town of Ashland, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Ashland, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robert. Farn, Cox Associates*

Richmond, Virginia  
October 6, 2006

**Town of Ashland, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<b>Department of Justice:</b>		
Pass Through Payments:		
Department of Criminal Justice Service:		
Local law enforcement block grant	16.592	\$ <u>338</u>
 <b>Department of Transportation:</b>		
Pass Through Payments:		
Virginia Department of Transportation:		
Highway planning and construction	20.205	\$ 1,197,826
Pass Through Payments:		
Department of Motor Vehicles:		
State and community highway safety program	20.600	<u>1,500</u>
 Total Department of Transportation		 <u>\$ 1,199,326</u>
 <b>U. S. Department of Homeland Security:</b>		
Pass Through Payments:		
Virginia Department of Emergency Management:		
State homeland security grant	97.067	\$ <u>5,759</u>
 Total Federal Assistance		 <u>\$ 1,205,423</u>

Town of Ashland, Virginia

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

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Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the Town of Ashland, Virginia. The Town's reporting entity is defined in note 1 to the Town's basic financial statements. All federal awards received directly from federal agencies, as well as, federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the Town's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 7,597
Capital Projects Funds:	
Capital Improvements Fund	1,197,826
Total primary government	<u>\$ 1,205,423</u>

Total federal expenditures per basic financial statements \$ 1,205,423

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 1,205,423

**Town of Ashland, Virginia**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2006**

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**Section I-Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: unqualified  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  no  
Reportable condition(s) identified that are  
not considered to be material weakness(es)? \_\_\_\_\_ yes  none reported  
Noncompliance material to financial statements noted? \_\_\_\_\_ yes  no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  no  
Reportable condition(s) identified that are  
not considered to be material weakness(es)? \_\_\_\_\_ yes  none reported

Type of auditor's report issued on compliance  
for major programs: unqualified

Any findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133? \_\_\_\_\_ yes  no

Identification of major programs:

CFDA Number(s)  
20.205

Name of Federal Program or Cluster  
Highway Planning and Construction

Dollar threshold used to distinguish between type A  
and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_  yes \_\_\_\_\_ no

**Section II-Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

None