TOWN OF ASHLAND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY:

Harold W. Mitchell,
Treasurer

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TOWN OF ASHLAND, VIRGINIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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TOWN OF ASHLAND, VIRGINIA

Town Council

Faye O. Prichard, Mayor

Angela L. LaCombe, Vice Mayor
George F. Spagna

Anthony E. Keitt
William C. Martin

Other Officials

Town Manager ..... Charles W. Hartgrove
Treasurer ..... Harold W. Mitchell
Clerk of the Council ..... Carolyn J. Barnett
Town Attorney ..... Andrea G. Erard

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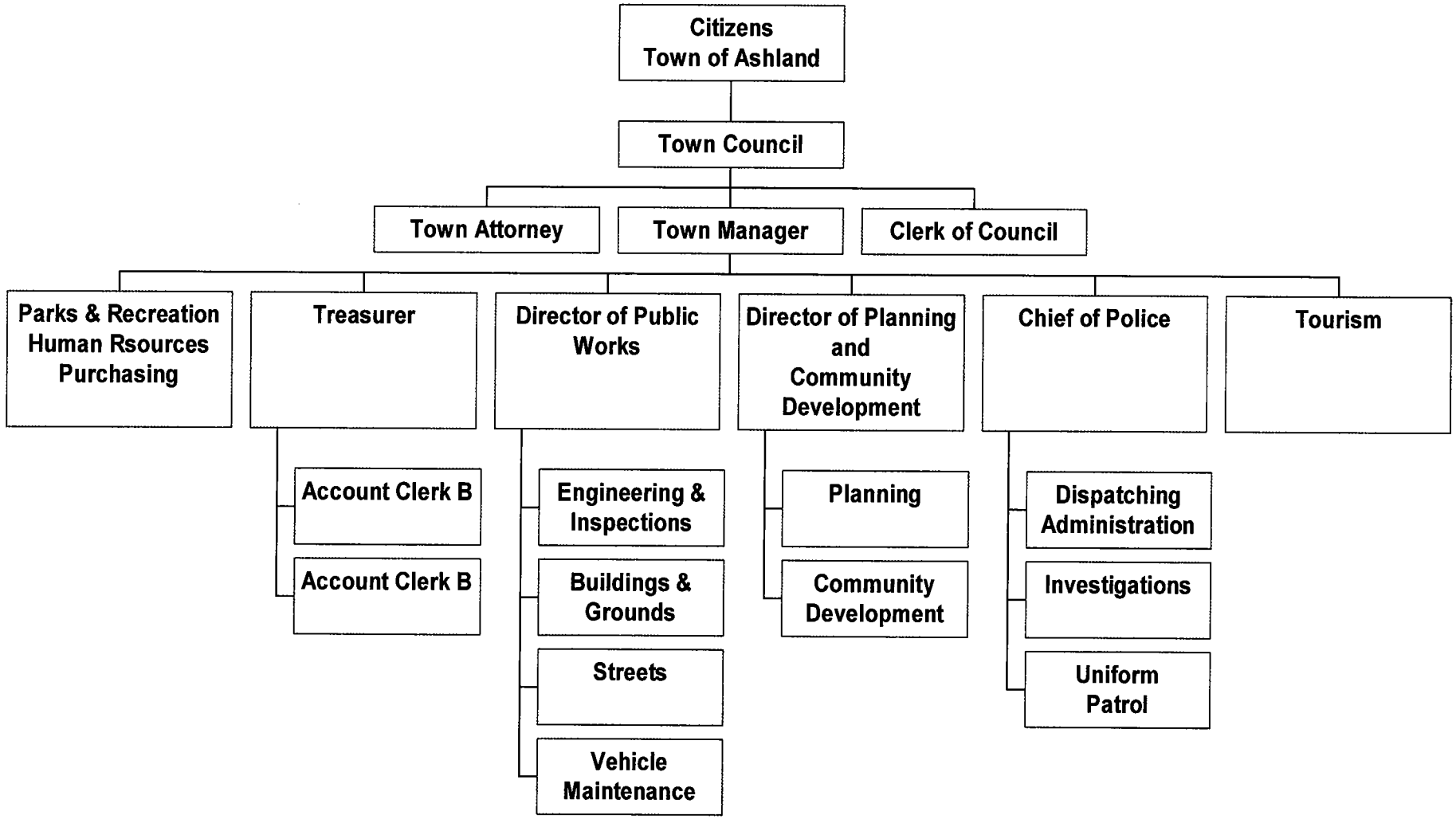
Town of Ashland
Organizational Chart



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Ashland, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.

President

Executive Director

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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, 2005, 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 an opinion 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 opinion.

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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, 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 an opinion 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 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
September 2, 2005

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, 2005. 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 $16,715,070 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues in excess of expenditures of $382,917 (Exhibit 5).

- As of the close of the current fiscal year; the Town's funds reported ending fund balances of $5,946,479 an increase of $382,917 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $4,290,267 or 75% of total general fund expenditures and other uses.
- The combined long-term obligations decreased $170,188 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 nets 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 – Industrial 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 $16,715,070 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 2005	Governmental Activities 2004
Current and other assets	$ 6,266,843	$ 5,806,927
Capital assets	11,231,447	10,908,308
Total assets	$ 17,498,290	$ 16,715,235
Current liabilities	$ 295,698	$ 242,277
Long-term liabilities outstanding	487,522	657,710
Total liabilities	$ 783,220	$ 899,987
Net assets:		
Invested in capital assets, net of related debt	$ 10,936,147	$ 10,435,633
Restricted for:		
Future capital projects	1,656,212	1,614,547
Unrestricted	4,122,711	3,765,068
Total net assets	$ 16,715,070	$ 15,815,248

Government-wide Financial Analysis (Continued)

The Town's net assets increased by $899,822 during the current fiscal year. The following table summarizes the Town's Statement of Activities:

Town of Ashland, Virginia's Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Revenues:		
Program revenues:		
Charges for services	$ 103,098	$ 118,957
Operating grants and contributions	1,638,609	1,491,777
Capital grants and contributions	22,798	565,035
General revenues:		
General property taxes	664,271	700,846
Other local taxes	3,609,430	3,061,279
Grants and other contributions not restricted	217,038	204,327
Other general revenues	131,883	176,857
Loss on disposal of capital assets	(5,280)	-
Total revenues	$ 6,381,847	$ 6,319,078
Expenses:		
General government administration	$ 648,828	$ 590,022
Public safety	1,823,269	1,691,700
Public works	2,386,112	1,411,090
Parks, recreation, and cultural	133,377	122,850
Community development	481,643	496,957
Interest and other fiscal charges	8,796	14,176
Total expenses	$ 5,482,025	$ 4,326,795
Change in net assets	$ 899,822	$ 1,992,283
Net assets, beginning of year	15,815,248	13,822,965
Net assets, end of year	$ 16,715,070	$ 15,815,248

Government-wide Financial Analysis (Continued)

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 $5,946,479 an increase of $382,917 in comparison with the prior year. Approximately 72% 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 $1,656,212, all of which was designated for current or future capital projects.

General Fund Budgetary Highlights

There were no differences between the original and final budgets.

During the year, revenues and other sources/uses exceeded budgetary estimates by $53,231. Expenditures were less than budgetary estimates by $331,933, thus eliminating the budgeted need to draw upon existing fund balance by $43,910 and actually adding to fund balance by $341,254, resulting in a positive variance of $385,164.

Capital Asset and Debt Administration

- Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2005 amounts to $11,231,446 (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 debt - At the end of the current fiscal year, the Town had total debt outstanding of $487,522, which included bonded debt of $295,300 and compensated absences of $192,222. All of the bonded debt outstanding at June 30, 2005 was backed by the full faith and credit of the Town.

The Town's total debt decreased by $170,188 during the current fiscal year.

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 3.7 percent and compares favorably to the national average rate of 5.0 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2006 fiscal year.

The fiscal year 2006 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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Exhibit 1

Town of Ashland, Virginia
Statement of Net Assets
June 30, 2005

	Primary Government		Component Unit
	Governmental Activities	Total	EDA
ASSETS			
Cash and cash equivalents	$ 206,028	$ 206,028	$ 111,676
Investments	5,141,793	5,141,793	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	30,739	30,739	-
Accounts receivable	206,479	206,479	-
Due from other governmental units	681,804	681,804	-
Capital assets (net of accumulated depreciation):			
Land	1,910,409	1,910,409	-
Buildings and system	1,410,507	1,410,507	-
Machinery and equipment	502,936	502,936	-
Infrastructure	7,407,595	7,407,595	-
Total assets	$ 17,498,290	$ 17,498,290	$ 111,676
LIABILITIES			
Accounts payable	$ 292,179	$ 292,179	$ -
Accrued interest payable	3,519	3,519	-
Long-term liabilities:			
Due within one year	53,333	53,333	-
Due in more than one year	434,189	434,189	-
Total liabilities	$ 783,220	$ 783,220	$ -
NET ASSETS			
Invested in capital assets, net of related debt	$ 10,936,147	$ 10,936,147	$ -
Restricted for:			
Construction	1,656,212	1,656,212	-
Unrestricted (deficit)	4,122,711	4,122,711	111,676
Total net assets	$ 16,715,070	$ 16,715,070	$ 111,676
Total liabilities and net assets	$ 17,498,290	$ 17,498,290	$ 111,676

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

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Exhibit 2

Town of Ashland, Virginia
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total	Net (Expense) Revenue and Changes in Net Assets: Component Unit: EDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	$ 648,828	$ -	$ -	$ -	$ (648,828)	$ (648,828)	
Public safety	1,823,269	25,747	216,881	-	(1,580,641)	(1,580,641)	
Public works	2,386,112	23,250	1,421,728	22,798	(918,336)	(918,336)	
Parks, recreation, and cultural	133,377	54,101	-	-	(79,276)	(79,276)	
Community development	481,643	-	-	-	(481,643)	(481,643)	
Interest on long-term debt	8,796	-	-	-	(8,796)	(8,796)	
Total government activities	$ 5,482,025	$ 103,098	$ 1,638,609	$ 22,798	$ (3,717,520)	$ (3,717,520)	
Total primary government	$ 5,482,025	$ 103,098	$ 1,638,609	$ 22,798		$ (3,717,520)	
COMPONENT UNITS:							
Industrial development authority	$ 2,912	$ -	$ -	$ -			$ (2,912)
Total component units	$ 2,912	$ -	$ -	$ -			$ (2,912)
General revenues:							
General property taxes					$ 664,271	$ 664,271	$ -
Local sales and use taxes					417,411	417,411	-
Consumers' utility taxes					300,585	300,585	-
Business licenses					437,781	437,781	-
Restaurant food taxes					1,585,208	1,585,208	-
Other local taxes					868,445	868,445	-
Unrestricted revenues from use of money and property					93,786	93,786	97
Miscellaneous					38,097	38,097	11,072
Grants and contributions not restricted to specific programs					217,038	217,038	-
Gain (loss) on disposal of capital assets					(5,280)	(5,280)	-
Total general revenues					$ 4,617,342	$ 4,617,342	$ 11,169
Change in net assets					899,822	899,822	8,257
Net assets - beginning					$ 15,815,248	$ 15,815,248	$ 103,419
Net assets - ending					$ 16,715,070	$ 16,715,070	$ 111,676

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

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FUND FINANCIAL STATEMENTS

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Exhibit 3

Town of Ashland, Virginia
Balance Sheet
Governmental Funds
June 30, 2005

	General	Major Capital Projects	Total
ASSETS			
Cash and cash equivalents	$ 115,796	$ 90,232	$ 206,028
Investments	3,796,114	1,345,679	5,141,793
Receivables (net of allowance for uncollectibles):			
Taxes receivable	30,739	-	30,739
Accounts receivable	206,479	-	206,479
Due from other governmental units	418,161	263,643	681,804
Total assets	$ 4,567,289	$ 1,699,554	$ 6,266,843
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 248,837	$ 43,342	$ 292,179
Deferred revenue	28,185	-	28,185
Total liabilities	$ 277,022	$ 43,342	$ 320,364
Fund balances:			
Reserved for:			
Construction	$ -	$ 1,656,212	$ 1,656,212
Unreserved, reported in:			
General fund	4,290,267	-	4,290,267
Total fund balances	$ 4,290,267	$ 1,656,212	$ 5,946,479
Total liabilities and fund balances	$ 4,567,289	$ 1,699,554	$ 6,266,843

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

Exhibit 4

Town of Ashland, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2005

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$ 5,946,479
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,231,447
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	28,185
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(491,041)
Net assets of governmental activities	$ 16,715,070

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

Exhibit 5

Town of Ashland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Major Capital Projects	Total
REVENUES			
General property taxes	$ 642,808	$ -	$ 642,808
Other local taxes	3,609,430	-	3,609,430
Permits, privilege fees, and regulatory licenses	23,250	-	23,250
Fines and forfeitures	25,747	-	25,747
Revenue from the use of money and property	66,322	27,463	93,785
Charges for services	54,101	-	54,101
Miscellaneous	20,476	17,621	38,097
Recovered costs	26,106	-	26,106
Intergovernmental revenues:			
Commonwealth	1,541,579	39,796	1,581,375
Federal	33,427	263,643	297,070
Total revenues	$ 6,043,246	$ 348,523	$ 6,391,769
EXPENDITURES			
Current:			
General government administration	$ 634,925	$ -	$ 634,925
Public safety	1,793,993	-	1,793,993
Public works	2,109,254	-	2,109,254
Parks, recreation, and cultural	82,707	-	82,707
Community development	477,828	-	477,828
Capital projects	-	721,860	721,860
Debt service:			
Principal retirement	177,375	-	177,375
Interest and other fiscal charges	10,910	-	10,910
Total expenditures	$ 5,286,992	$ 721,860	$ 6,008,852
Excess (deficiency) of revenues over (under) expenditures	$ 756,254	$ (373,337)	$ 382,917
OTHER FINANCING SOURCES (USES)			
Transfers in	$ -	$ 415,000	$ 415,000
Transfers out	(415,000)	-	(415,000)
Total other financing sources (uses)	$ (415,000)	$ 415,000	$ -
Net change in fund balances	$ 341,254	$ 41,663	$ 382,917
Fund balances - beginning	3,949,013	1,614,549	5,563,562
Fund balances - ending	$ 4,290,267	$ 1,656,212	$ 5,946,479

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

Exhibit 6

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, 2005

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 382,917
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	812,072	
Depreciation expense	(483,654)	328,418
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase net assets.		(5,280)
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.		21,465
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		177,375
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	(7,187)	
Increase (decrease) in interest payable	2,114	(5,073)
Change in net assets of governmental activities		$ 899,822

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

Note 1—Summary of Significant Accounting Policies:

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

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, even though the latter are excluded from the government-wide financial statements. 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)

B. Individual Component Unit Disclosures

Blended Component Unit. The Town has no blended component units at June 30, 2005.

The Town of Ashland's Industrial Development Authority (IDA) 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. Financial statements for the Town of Ashland Industrial Development Authority can be obtained from the Town Manager's office of Ashland Town. The financial statements of the Ashland Town Industrial Development Authority are presented as a discrete presentation of the Town financial statements for the fiscal year ended June 30, 2005.

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.

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)

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 $30,669 at June 30, 2005 is composed solely of property taxes.

Real and Personal Property Tax Data:

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

	Real Property	Personal Property
Levy	January 1	January 1
Due Date *	January 15	January 15
Lien Date	February 16	February 16

* Of the following year

The Town bills and collects its own property taxes.

G. Capital Assets

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

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

G. Capital Assets *(continued)*

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

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

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

Assets	Years
Building 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)

L. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent 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:

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

1. On or before May 1st, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. 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, 2005, 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, 2005.

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (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, 2005 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	AA	A+	Unrated
Local Government Investment Pool	$ -	$ 4,766,868	$ -	$ -	$ -
Repurchase Agreements - Underlying:					
Mortgage Securities	374,925	-	-	-	-
Total	$ 374,925	$ 4,766,868	$ -	$ -	$ -

Note 3— Deposits and Investments: (Continued)

Interest Rate Risk

	Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Repurchase Agreements - Underlying:					
Mortgage Securities	$ 374,925	$ 374,925	$ -	$ -	$ -
Total	$ 374,925	$ 374,925	$ -	$ -	$ -

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, 2005, the Town has receivables from other governments as follows:

	Primary Government
Other Local Governments:	
County of Hanover	$ 79,919
Commonwealth of Virginia:	
Street and highway maintenance	277,765
Rolling stock tax	8,356
Mobile home titling tax	1,663
Auto rental tax	16,802
Disaster Assistance	10,220
Categorical Aid	7,947
Federal Government:	
Categorical Aid	2,911
Disaster Assistance	12,578
ISTEA grant	263,643
Total due from other governments	$ 681,804

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2005:

Primary Government:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land and land improvements	$ 1,910,409	$ -	$ -	$ 1,910,409
Buildings and improvements	1,922,264	10,081	-	1,932,345
Equipment	1,711,021	200,197	156,093	1,755,125
Infrastructure	8,146,794	601,794	-	8,748,588
Totals	$ 13,690,488	$ 812,072	$ 156,093	$ 14,346,467
Accumulated depreciation	2,782,180	483,654	150,813	3,115,021
Net capital assets primary government	$ 10,908,308	$ 328,418	$ 5,280	$ 11,231,446

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

Governmental activities:	
General government	$ 39,054
Public safety	84,728
Public works	302,687
Parks, recreation and cultural	50,670
Community development	6,515
Total Governmental activities	$ 483,654

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ -	$ 415,000
Capital projects	415,000	-
Total	$ 415,000	$ 415,000

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, 2004	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Governmental Obligations:					
Claims, judgments and compensated absences payable	$ 185,035	$ 16,088	$ 8,901	$ 192,222	$ 19,222
General obligation bond	472,675	-	177,375	295,300	34,111
Total long term obligations	$ 657,710	$ 16,088	$ 186,276	$ 487,522	$ 53,333

Year Ending June 30	General Obligation Bonds	
	Principal	Interest
2006	$ 175,000	$ 40,827
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	(1,219,700)	(144,082)
Total	$ 295,300	$ 34,883

Note 7—Long Term Obligations: (Continued)

Long-Term Obligations:

General Obligation Bonds:

$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.	$	1,515,000
Less: Portion paid by County of Hanover		(1,219,700)
Total General Obligation Bonds	$	295,300
Compensated absences (payable from General Fund)	$	192,222
Total Long-Term Obligations	$	487,522

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, 2005, $777,985 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:

Year Ended	General Obligation Bonds to be Paid by County of Hanover	
June 30,	Principal	Interest
2006	$ 140,889	$ 32,869
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	165,042	2,360
Totals	$ 1,219,700	$ 144,082

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling $28,185 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $28,185 at June 30, 2005.

Note 9—Litigation:

At June 30, 2005, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 10—Self Insurance / Risk Management:

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

Employee Health Insurance

The Town has contracted with private carriers to administer this activity. Accounting for these activities is made in the General 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:

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 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation.

Participating law enforcement officers and firefighters 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 obtained by downloaded from their website at http://www.varetire.org/pdf/2004AnnuRept.pdf or 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 reported compensation 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 statute and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2005 was 8.5% of annual covered payroll.

Note 11 —Defined Benefit Pension Plan: (Continued)

Primary Government: *(Continued)*

C. Annual Pension Cost

For fiscal 2005, the Town's annual pension cost of $173,622 was equal to the Town's required and actuarial contributions. The required contributions were determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method.

	Town
Valuation date	June 30, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Payroll growth rate	3%
Remaining amortization period	20 years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return [1]	8.00%
Projected salary increases:[1]	
Non LEO Employees	4.25% to 6.10%
LEO Employees	4.50% to 5.75%
Cost-of-living adjustments	3.0%

[1] Includes inflation at 3%

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
Town:			
June 30, 2005	$ 173,622	100%	$ -
June 30, 2004	103,259	100%	-
June 30, 2003	115,211	100%	-
June 30, 2002	109,930	100%	-

(1) Employer portion only

Note 12 –Surety Bonds:

		Amount
Fidelity and Deposit Company of Maryland:		
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:

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 not longer exercises significant management responsibilities. Therefore, the Town's financial statements no longer report plan assets.

Note 14 –Town/County Agreement:

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

Under the Agreement, the Town transferred ownership of its water and sewer system to Hanover County on January 1, 1996. The 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

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Exhibit 7

Town of Ashland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 640,705	$ 640,705	$ 642,808	$ 2,103
Other local taxes	3,422,221	3,422,221	3,609,430	187,209
Permits, privilege fees, and regulatory licenses	9,800	9,800	23,250	13,450
Fines and forfeitures	32,000	32,000	25,747	(6,253)
Revenue from the use of money and property	42,030	42,030	66,322	24,292
Charges for services	50,000	50,000	54,101	4,101
Miscellaneous	298,052	298,052	20,476	(277,576)
Recovered costs	-	-	26,106	26,106
Intergovernmental revenues:				
Commonwealth	1,495,207	1,495,207	1,541,579	46,372
Federal	-	-	33,427	33,427
Total revenues	$ 5,990,015	$ 5,990,015	$ 6,043,246	$ 53,231
EXPENDITURES				
Current:				
General government administration	$ 630,369	$ 630,369	$ 634,925	$ (4,556)
Public safety	1,906,235	1,906,235	1,793,993	112,242
Public works	2,195,312	2,195,312	2,109,254	86,058
Parks, recreation, and cultural	117,661	117,661	82,707	34,954
Community development	580,991	580,991	477,828	103,163
Debt service:				
Principal retirement	177,375	177,375	177,375	-
Interest and other fiscal charges	10,982	10,982	10,910	72
Total expenditures	$ 5,618,925	$ 5,618,925	$ 5,286,992	$ 331,933
Excess (deficiency) of revenues over (under) expenditures	$ 371,090	$ 371,090	$ 756,254	$ 385,164
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (415,000)	$ (415,000)	$ (415,000)	$ -
Total other financing sources and uses	$ (415,000)	$ (415,000)	$ (415,000)	$ -
Net change in fund balances	$ (43,910)	$ (43,910)	$ 341,254	$ 385,164
Fund balances - beginning	43,910	43,910	3,949,013	3,905,103
Fund balances - ending	$ -	$ -	$ 4,290,267	$ 4,290,267

Exhibit 8

Town of Ashland
Schedule of Pension Funding Progress
As of June 30, 2005

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)
6/30/2004	$ 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

Exhibit 9

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, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ 28,522	$ 28,522	$ 27,463	$ (1,059)
Miscellaneous	-	-	17,621	17,621
Intergovernmental revenues:				
Commonwealth	-	-	39,796	39,796
Federal	-	-	263,643	263,643
Total revenues	$ 28,522	$ 28,522	$ 348,523	$ 320,001
EXPENDITURES				
Capital projects	$ 5,465,943	$ 5,465,943	$ 721,860	$ 4,744,083
Total expenditures	$ 5,465,943	$ 5,465,943	$ 721,860	$ 4,744,083
Excess (deficiency) of revenues over (under) expenditures	$ (5,437,421)	$ (5,437,421)	$ (373,337)	$ 5,064,084
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 415,000	$ 415,000	$ 415,000	$ -
Total other financing sources and uses	$ 415,000	$ 415,000	$ 415,000	$ -
Net change in fund balances	$ (5,022,421)	$ (5,022,421)	$ 41,663	$ 5,064,084
Fund balances - beginning	5,022,421	5,022,421	1,614,549	(3,407,872)
Fund balances - ending	$ -	$ -	$ 1,656,212	$ 1,656,212

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DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL ECONOMIC AUTHORITY

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Exhibit 10

Town of Ashland, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Economic Development Authority
June 30, 2005

ASSETS	
Current assets:	
Cash and cash equivalents	$ 111,676
Total assets	$ 111,676
NET ASSETS	
Unrestricted	$ 111,676
Total net assets	$ 111,676

Exhibit 11

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, 2005

OPERATING REVENUES		
Charges for services:		
Miscellaneous	$	11,072
Total operating revenues	$	11,072
OPERATING EXPENSES		
Other supplies and expenses	$	2,912
Total operating expenses	$	2,912
Operating income (loss)	$	8,160
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	$	97
Total nonoperating revenues (expenses)	$	97
Change in net assets	$	8,257
Total net assets - beginning	$	103,419
Total net assets - ending	$	111,676

Exhibit 12

Town of Ashland, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from miscellaneous items	$	11,072
Payments to operating activites		(2,912)
Net cash provided (used by) operating activities	$	8,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	$	97
Net cash provided (used) by investing activities	$	97
Net increase (decrease) in cash and cash equivalents	$	8,257
Cash and cash equivalents - beginning - including restricted		103,419
Cash and cash equivalents - ending - including restricted	$	111,676
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$	8,160
Net cash provided (used) by operating activities	$	8,160

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SUPPORTING SCHEDULES

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Town of Ashland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 330,555	$ 330,555	$ 328,237	$ (2,318)
Real and personal public service corporation taxes	36,000	36,000	26,029	(9,971)
Personal property taxes	225,000	225,000	243,421	18,421
Mobile home taxes	3,150	3,150	2,313	(837)
Machinery and tools taxes	14,000	14,000	7,139	(6,861)
Penalties	24,000	24,000	22,579	(1,421)
Interest	8,000	8,000	13,090	5,090
Total general property taxes	$ 640,705	$ 640,705	$ 642,808	$ 2,103
Other local taxes:				
Local sales and use taxes	$ 334,000	$ 334,000	$ 417,411	$ 83,411
Consumers' utility taxes	340,000	340,000	300,585	(39,415)
Franchise licenses taxes	35,000	35,000	70,613	35,613
Consumption taxes	14,000	14,000	33,358	19,358
Business license taxes	462,700	462,700	437,781	(24,919)
Motor vehicle licenses	118,000	118,000	123,552	5,552
Bank stock taxes	77,089	77,089	146,790	69,701
Hotel and motel room taxes	494,635	494,635	494,132	(503)
Restaurant food taxes	1,546,797	1,546,797	1,585,208	38,411
Total other local taxes	$ 3,422,221	$ 3,422,221	$ 3,609,430	$ 187,209
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	$ 9,800	$ 9,800	$ 23,250	$ 13,450
Fines and forfeitures:				
Court fines and forfeitures	$ 32,000	$ 32,000	$ 25,747	$ (6,253)
Revenue from use of money and property:				
Revenue from use of money	$ 30,000	$ 30,000	$ 65,442	$ 35,442
Revenue from use of property	12,030	12,030	880	(11,150)
Total revenue from use of money and property	$ 42,030	$ 42,030	$ 66,322	$ 24,292
Charges for services:				
Charges for parks and recreation	$ 50,000	$ 50,000	$ 54,101	$ 4,101
Miscellaneous revenue:				
Miscellaneous	$ 298,052	$ 298,052	$ 20,476	$ (277,576)
Recovered costs:				
Reimbursement from employee deductions	$ -	$ -	$ 26,106	$ 26,106
Total revenue from local sources	$ 4,494,808	$ 4,494,808	$ 4,468,240	$ (26,568)
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	$ 8,000	$ 8,000	$ 7,760	$ (240)
Wine taxes	8,000	8,000	8,134	134
Motor vehicle carriers' tax	8,000	8,000	8,356	356
Mobile home titling tax	8,000	8,000	13,474	5,474

Town of Ashland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Noncategorical aid: (Continued)				
Motor vehicle rental tax	$ 95,000	$ 95,000	$ 67,932	$ (27,068)
Personal property tax relief funds	100,000	100,000	111,382	11,382
Total noncategorical aid	$ 227,000	$ 227,000	$ 217,038	$ (9,962)
Categorical aid:				
Other categorical aid:				
Streets and highway maintenance	$ 1,096,907	$ 1,096,907	$ 1,111,060	$ 14,153
Transportation safety grant	-	-	4,999	4,999
DJCP grant	160,000	160,000	174,696	14,696
Litter control grant	2,300	2,300	2,230	(70)
Fire programs	9,000	9,000	13,035	4,035
Local law enforcement block grant	-	-	8,301	8,301
Disaster assistance	-	-	10,220	10,220
Total other categorical aid	$ 1,268,207	$ 1,268,207	$ 1,324,541	$ 56,334
Total categorical aid	$ 1,268,207	$ 1,268,207	$ 1,324,541	$ 56,334
Total revenue from the Commonwealth	$ 1,495,207	$ 1,495,207	$ 1,541,579	$ 46,372
Revenue from the federal government:				
Categorical aid:				
Homeland security grant	$ -	$ -	$ 20,849	$ 20,849
Disaster assistance	-	-	12,578	12,578
Total categorical aid	$ -	$ -	$ 33,427	$ 33,427
Total revenue from the federal government	$ -	$ -	$ 33,427	$ 33,427
Total General Fund	$ 5,990,015	$ 5,990,015	$ 6,043,246	$ 53,231
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 28,522	$ 28,522	$ 27,463	$ (1,059)
Miscellaneous revenue:				
Skateboard park donations	$ -	$ -	$ 17,621	$ 17,621
Total revenue from local sources	$ 28,522	$ 28,522	$ 45,084	$ 16,562
Revenue from the Commonwealth:				
Categorical aid:				
DEQ - underground storage tank	$ -	$ -	$ 39,796	$ 39,796
Revenue from the federal government:				
Categorical aid:				
ISTEA grant	$ -	$ -	$ 263,643	$ 263,643
Total County Capital Improvements Fund	$ 28,522	$ 28,522	$ 348,523	$ 320,001
Total Primary Government	$ 6,018,537	$ 6,018,537	$ 6,391,769	$ 373,232

Town of Ashland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town council	$ 58,888	$ 58,888	$ 42,900	$ 15,988
General and financial administration:				
Town manager	$ 306,439	$ 306,439	$ 332,931	$ (26,492)
Treasurer	218,742	218,742	226,000	(7,258)
Information technology	46,300	46,300	33,094	13,206
Total general and financial administration	$ 571,481	$ 571,481	$ 592,025	$ (20,544)
Total general government administration	$ 630,369	$ 630,369	$ 634,925	$ (4,556)
Public safety:				
Law enforcement and traffic control:				
Police department	$ 1,844,235	$ 1,844,235	$ 1,742,449	$ 101,786
Fire and rescue services:				
Fire department	$ 52,000	$ 52,000	$ 41,544	$ 10,456
Ambulance and rescue services	10,000	10,000	10,000	-
Total fire and rescue services	$ 62,000	$ 62,000	$ 51,544	$ 10,456
Total public safety	$ 1,906,235	$ 1,906,235	$ 1,793,993	$ 112,242
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering and administration	$ 396,031	$ 396,031	$ 367,823	$ 28,208
Street maintenance	1,049,603	1,049,603	1,124,550	(74,947)
Storm damage	40,000	40,000	19,038	20,962
Street lights	35,000	35,000	36,726	(1,726)
Snow and ice removal	62,250	62,250	31,782	30,468
Traffic engineering	52,300	52,300	28,826	23,474
Total maintenance of highways, streets, bridges & sidewalks	$ 1,635,184	$ 1,635,184	$ 1,608,745	$ 26,439
Sanitation and waste removal:				
Refuse collection	$ 231,000	$ 231,000	$ 232,895	$ (1,895)
Litter control	23,450	23,450	17,984	5,466
Total sanitation and waste removal	$ 254,450	$ 254,450	$ 250,879	$ 3,571
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	$ 182,203	$ 182,203	$ 124,983	$ 57,220
Vehicle maintenance	123,475	123,475	124,647	(1,172)
Total maintenance of general buildings and grounds	$ 305,678	$ 305,678	$ 249,630	$ 56,048
Total public works	$ 2,195,312	$ 2,195,312	$ 2,109,254	$ 86,058
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	$ 117,661	$ 117,661	$ 82,707	$ 34,954
Total parks, recreation, and cultural	$ 117,661	$ 117,661	$ 82,707	$ 34,954

Town of Ashland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	$ 326,969	$ 326,969	$ 281,533	$ 45,436
Tourism	146,678	146,678	149,701	(3,023)
Business assistance	107,344	107,344	46,594	60,750
Total planning and community development	$ 580,991	$ 580,991	$ 477,828	$ 103,163
Total community development	$ 580,991	$ 580,991	$ 477,828	$ 103,163
Debt service:				
Principal retirement	$ 177,375	$ 177,375	$ 177,375	$ -
Interest and other fiscal charges	10,982	10,982	10,910	72
Total debt service	$ 188,357	$ 188,357	$ 188,285	$ 72
Total General Fund	$ 5,618,925	$ 5,618,925	$ 5,286,992	$ 331,933
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
Buildings and grounds	$ 49,568	$ 49,568	$ -	$ 49,568
Town hall improvements	-	-	10,081	(10,081)
Fire station roof	5,247	5,247	-	5,247
Public works - streets	4,817,547	4,817,547	585,625	4,231,922
Storm water management	164,538	164,538	4,080	160,458
Vehicle maintenance	137,832	137,832	-	137,832
Parks and recreation	169,598	169,598	122,074	47,524
Contingencies	121,613	121,613	-	121,613
Total capital projects	$ 5,465,943	$ 5,465,943	$ 721,860	$ 4,744,083
Total Capital Projects Fund	$ 5,465,943	$ 5,465,943	$ 721,860	$ 4,744,083
Total Primary Government	$ 11,084,868	$ 11,084,868	$ 6,008,852	$ 5,076,016

Table 1

Town of Ashland, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2004-05	$ 648,828	$ 1,823,269	$ 2,386,112	$ 133,377	$ 481,643	$ 8,796	$ 5,482,025
2003-04	590,022	1,691,700	1,411,090	122,850	496,957	14,176	4,326,795

(1) Information has only been available for 2 years.

Table 2

Town of Ashland, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

	PROGRAM REVENUES			GENERAL REVENUES						
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2004-05	$ 103,098	$ 1,638,609	$ 22,798	$ 664,271	$ 3,609,430	$ -	$ 93,786	$ 38,097	$ 217,038	$ 6,387,127
2003-04	84,152	1,491,777	565,035	700,846	3,061,279	34,805	60,170	133,589	204,327	6,335,980

(1) Information has only been available for 2 years.

Table 3

Town of Ashland, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Debt Service	Contingency	Total
1995-96	$ 499,256	$ 1,116,950	$ 1,745,085	$ 63,888	$ 154,700	$ 730,209	$ 11,215	$ 4,321,303
1996-97	419,484	1,166,323	2,048,939	70,825	279,875	989,448	11,525	4,986,419
1997-98	453,462	1,311,727	2,221,770	129,420	273,764	984,287	15,450	5,389,880
1998-99	466,308	1,315,125	1,925,373	109,379	263,243	986,753	-	5,066,181
1999-00	485,312	1,375,855	1,816,126	99,834	307,930	992,177	-	5,077,234
2000-01	545,087	1,351,385	1,877,897	122,539	470,515	971,750	-	5,339,173
2001-02	776,364	1,511,806	1,413,683	120,808	388,869	969,583	-	5,181,113
2002-03	746,589	1,578,814	1,474,805	61,691	440,402	1,011,553	-	5,313,854
2003-04 (3)	631,586	1,688,311	1,828,199	80,134	543,920	259,170	-	5,031,320
2004-05 (3)	634,925	1,793,993	2,109,254	82,707	477,828	188,285	-	5,286,992

(1) Includes the General fund of the Primary Government.
(2) Excludes the Capital Projects fund.
(3) Debt service is net of the County of Hanover's portion.

Table 4

Town of Ashland, Virginia
General Governmental Revenues by Source (1, 2)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
1995-96	$ 497,299	$ 2,275,794	$ 9,015	$ 135,458	$ 165,909	$ -	$ 7,788	$ 646,125	$ 936,204	$ 4,673,592
1996-97	569,318	2,545,371	15,677	128,077	157,521	-	7,543	964,617	1,010,599	5,398,723
1997-98	638,582	2,595,519	31,992	94,484	278,245	-	28,255	960,529	1,145,078	5,772,684
1998-99	644,982	2,653,015	29,672	73,362	266,289	-	18,647	959,262	1,223,010	5,868,239
1999-00	647,456	2,748,599	18,375	63,412	298,919	-	1,666	972,681	1,263,048	6,014,156
2000-01	673,050	2,822,582	12,908	66,577	345,706	-	5,974	871,138	1,472,562	6,270,497
2001-02	645,992	2,694,153	16,506	58,638	104,334	61,371	55,060	919,406	1,408,563	5,964,023
2002-03	704,484	2,676,748	14,125	34,944	60,822	50,561	486	894,155	1,435,934	5,872,259
2003-04	703,906	3,061,279	34,805	32,885	40,970	51,267	67,011	138,164	1,696,104	5,826,391
2004-05	642,808	3,609,430	23,250	25,747	66,322	54,101	20,476	26,106	1,575,006	6,043,246

(1) Includes the General fund of the Primary Government.
(2) Beginning with fiscal year 2001-02, the Capital Projects fund is excluded.

Table 5

Town of Ashland, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
1995-96	$ 463,475	$ 455,381	98.25%	$ 32,017	$ 487,398	105.16%	$ 40,373	8.71%
1996-97	551,622	534,775	96.95%	9,754	544,529	98.71%	53,645	9.72%
1997-98	596,083	579,825	97.27%	35,794	615,619	103.28%	43,971	7.38%
1998-99	632,107	590,357	93.40%	26,103	616,460	97.52%	44,061	6.97%
1999-00	647,747	628,059	96.96%	25,009	653,068	100.82%	64,811	10.01%
2000-01	694,926	658,905	94.82%	30,191	689,096	99.16%	55,468	7.98%
2001-02	720,145	614,168	85.28%	84,146	698,314	96.97%	66,116	9.18%
2002-03	756,148	739,987	97.86%	23,211	763,198	100.93%	43,354	5.73%
2003-04	779,925	764,201	97.98%	14,315	778,516	99.82%	33,710	4.32%
2004-05	751,446	715,144	95.17%	3,377	718,521	95.62%	45,432	6.05%

(1) Exclusive of penalties, interest, and land redemptions.
(2) Includes all years taxes beginning in fiscal year 2001-02.
(3) Tax levy and collections include the Commonwealth's personal property tax relief revenues beginning in fiscal year 1999-00.

Table 6

Town of Ashland, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (3)	Machinery and Tools	Public Utility (2) Real Estate	Public Utility (2) Personal Property	Total
1995-96	$ 249,014,600	$ 25,870,964	$ 59,575	$ 20,851,793	$ 8,471	$ 295,805,403
1996-97	293,533,900	32,446,071	797,000	36,317,323	8,471	363,102,765
1997-98	307,543,200	35,639,990	939,065	41,636,722	44,795	385,803,772
1998-99	320,986,500	37,851,080	1,041,355	33,504,206	34,301	393,417,442
1999-00	341,966,200	39,131,388	1,127,135	33,627,239	56,798	415,908,760
2000-01	356,169,200	42,517,650	1,179,210	32,884,784	61,194	432,812,038
2001-02	393,332,700	45,181,470	1,447,765	38,398,900	66,930	478,427,765
2002-03	414,207,367	46,960,148	1,867,475	37,058,450	-	500,093,440
2003-04	444,918,100	47,652,805	1,865,505	38,297,873	88,276	532,822,559
2004-05	463,076,000	62,098,050	1,016,205	37,257,628	14,344	563,462,227

(1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Includes personal property, fire and rescue personal property, and mobile homes.

Table 7

Town of Ashland, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility Real Estate	Public Utility Personal Property
1995-96	$ 0.10	$ 0.90	$ 0.90	$ 0.10	$ 0.90
1996-97	0.10	0.90	0.90	0.10	0.90
1997-98	0.10	0.77	0.77	0.10	0.77
1998-99	0.10	0.77	0.77	0.10	0.77
1999-00	0.10	0.77	0.77	0.10	0.77
2000-01	0.10	0.77	0.77	0.10	0.77
2001-02	0.09	0.77	0.77	0.09	0.77
2002-03	0.09	0.77	0.77	0.09	0.77
2003-04	0.09	0.77	0.77	0.09	0.77
2004-05	0.07	0.77	0.77	0.07	0.77

(1) Per $100 of assessed value.

(2) In fiscal year 1996, assessments for personal property taxes changed from 40% to 100% of value base. Additionally, value base changed from retail to loan NADA value.

Table 8

Town of Ashland, Virginia
Property Tax Rates (1) - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Town of Ashland			County of Hanover			
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property	Machinery and Tools	Merchants Capital
1995-96	$ 0.10	$ 0.90	$ 0.90	$ 0.67	$ 3.64	$ 3.64	$ 1.90
1996-97	0.10	0.90	0.90	0.73	3.64	3.64	1.90
1997-98	0.10	0.77	0.77	0.73	3.64	3.64	1.90
1998-99	0.10	0.77	0.77	0.73	3.64	3.64	1.90
1999-00	0.10	0.77	0.77	0.73	3.64	3.64	1.90
2000-01	0.10	0.77	0.77	0.83	3.64	3.64	1.90
2001-02	0.09	0.77	0.77	0.83	3.64	3.64	1.90
2002-03	0.09	0.77	0.77	0.82	3.64	3.64	1.90
2003-04	0.09	0.77	0.77	0.86	3.64	3.64	1.90
2004-05	0.07	0.77	0.77	0.86	3.64	3.64	1.90

(1) Per $100 of assessed value.

Table 9

Town of Ashland, Virginia
Computation of Legal Debt Margin
At June 30, 2005

Assessed value of real property, January 1, 2005 (1)	500,333,628
Debt limit: 10% of assessed value	50,033,363
Amount of debt applicable to debt limit:	
General obligation bonds and loans	1,515,111
Less: County of Hanover's portion	(1,219,700)
Net general obligation bonds and loans	295,411
Legal debt limit	49,737,952

(1) Assessed value of real property, including public service corporations as of January 1, 2005.

Table 10

Town of Ashland, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less: Debt Payable by County of Hanover	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995-96	6,250	$ 295,805,403	$ 7,960,000	$ -	$ 7,960,000	2.69%	$ 1,274
1996-97	6,300	363,102,765	7,395,000	-	7,395,000	2.04%	1,174
1997-98	6,300	385,803,772	6,800,000	-	6,800,000	1.76%	1,079
1998-99	6,300	393,417,442	6,165,000	-	6,165,000	1.57%	979
1999-00	7,394	415,908,760	5,475,000	-	5,475,000	1.32%	740
2000-01	6,619	432,812,038	4,755,000	-	4,755,000	1.10%	718
2001-02	6,619	478,427,765	4,005,000	-	4,005,000	0.84%	605
2002-03	6,619	500,093,440	3,295,000	2,652,747	642,253	0.13%	97
2003-04	6,619	532,822,559	2,425,000	1,952,325	472,675	0.09%	71
2004-05	6,619	563,462,227	1,515,000	1,219,700	295,300	0.05%	45

(1) 2001-2005 U.S. Census Bureau; 1996-2000 Town estimate
(2) From Table 6
(3) Includes all long-term general obligation bonded debt and bonded anticipation notes. Excludes compensated absences.

Table 11

Town of Ashland, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governemntal Expenditures	Ratio of Debt Service to General Governemntal Expenditures
1995-96	$ 430,604	$ 263,127	$ 693,731	$ 4,321,303	16.05%
1996-97	565,000	404,368	969,368	4,986,419	19.44%
1997-98	595,000	369,208	964,208	5,389,880	17.89%
1998-99	635,000	331,673	966,673	5,066,181	19.08%
1999-00	690,000	282,097	972,097	5,077,234	19.15%
2000-01	720,000	251,750	971,750	5,339,173	18.20%
2001-02	750,000	219,583	969,583	5,181,113	18.71%
2002-03	790,000	221,553	1,011,553	5,313,854	19.04%
2003-04 (2)	169,578	89,592	259,170	5,031,320	5.15%
2004-05 (2)	177,375	10,910	188,285	5,286,992	3.56%

(1) Includes General fund of the Primary Government.
(2) Principal and interest are net of portion paid by Hanover County.

Table 12

Town of Ashland, Virginia
Demographic Statistics
Last Ten Fiscal Years

Calendar Year	Town of Ashland			County of Hanover	
	Population (1)	Per Capita Income (2)	Median Age (3)	Public School Enrollment (4)	Average Unemployment Rate (5)
1996	6,250	$ 12,196	34.5	14,007	2.10%
1997	6,300	12,196	34.5	14,585	2.60%
1998	6,300	12,196	34.5	15,236	2.20%
1999	6,300	12,196	34.5	15,817	1.70%
2000	7,394	12,196	34.5	16,310	1.50%
2001	6,619	12,196	34.5	16,683	1.30%
2002	6,619	16,932	34.5	17,167	3.00%
2003	6,619	16,932	37.4	17,541	2.70%
2004	6,619	16,932	37.4	18,040	2.60%
2005	6,619	16,932	37.4	18,262	2.73%

(1) 2000-2005 U.S. Census Bureau; 1996-2000 Town of Ashland estimate
(2) Weldon Cooper Center
(3) 1996-2002 Hanover County Planning Department estimates; 2003-2005 U.S. Census Bureau
(4) Hanover County School Board
(5) Virginia Employment Commission.

Table 13

Town of Ashland, Virginia
Residential and Commercial Construction and Bank Deposits
Last Ten Fiscal Years

	Construction Activity				
	Commercial (1)		Residential (1)		Bank
Calendar Year	Number of Permits	Value Of Permits	Number of Permits	Value Of Permits	Deposits (2) (in thousands)
1996	42	$ 10,984,934	43	$ 770,915	$ 706,688
1997	33	1,751,676	74	1,679,695	743,326
1998	36	5,703,939	60	732,300	769,011
1999	35	9,879,971	62	1,225,875	801,071
2000	75	11,514,172	111	5,218,439	826,330
2001	34	5,603,735	69	3,525,391	870,229
2002	45	4,396,771	72	3,162,610	943,497
2003	48	16,855,398	53	2,190,280	989,000
2004	48	1,850,795	33	1,615,846	1,150,000
2005	49	4,616,338	60	2,929,817	(3)

(1) Town Treasurer
(2) Federal Reserve Bank of Richmond (Bank deposits include the Town and Hanover County)
(3) Not available

Table 14

Town of Ashland, Virginia
Principal Taxpayers
Year Ended June 30, 2005

Company	Industry	2005 Assessed Valuation (1)	% of Total
Verizon Virginia	Utility	19,152,056	3.83%
Ashland Group Limited Partnership	Shopping Center	11,421,000	2.28%
Virginia Electric & Power	Utility	9,057,408	1.81%
Ashland Town Square-REO	Apartments	7,999,900	1.60%
Sedgefield Mobile Assoc LP	Mobile Home Community	7,518,600	1.50%
Landmark Company of Virginia Inc	Commercial	7,118,300	1.42%
Ashland Junction LLC	Shopping Center	6,500,100	1.30%
Richland Limited Partnership	Business Center	4,564,800	0.91%
N J Properties LLC	Motel	4,399,000	0.88%
Liberty Property Limited	Commercial	4,478,400	0.90%
	Total	82,209,564	16.43%
	Total Assessed Valuation	500,333,628	100.00%

(1) Based on January 1, 2004 assessments

Table 15

Town of Ashland, Virginia

Miscellaneous Statistics

Date of incorporation	1858
Form of government	Council - Manager
Number of municipal employees:	
Classified	64
Exempt	1
Area in square miles	7.10
Miles of streets/roads	47.13
Culture and Recreation:	
Number of parks	4
Number of swimming pools	1
Number of public liabraries (Regional system)	1
Number of volumes	47,000
Fire Protection:	
Number of stations	1
Number of volunteers	63
Police Protection:	
Number of stations	1
Number of sworn officers	22
Eduction:	
Number of schools in Ashland	2
Number of school age residents (5-19)	1,159
Community Development:	
Number of building permits issued	109

Table 16

Town of Ashland, Virginia
Computation of Direct and Overlapping Debt
Year Ended June 30, 2005

Jurisdiction	Net Bonded Debt Outstanding	Percentage Applicable to Town	Amount Applicable to Town
Town of Ashland	$ 295,300	100.00%	$ 295,300
Hanover County (1)	123,913,209	6.82%	8,450,881
Total direct and overlapping debt	$ 124,208,509		$ 8,746,181

(1) Based on 2004 assessed valuations

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*

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, 2005, which collectively comprise the Town of Ashland, Virginia's basic financial statements and have issued our report thereon dated September 2, 2005. 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
September 2, 2005

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