



**Town of  
Amherst, Virginia**

**Comprehensive Annual  
Financial Report**

**For the year ended June 30, 2012**

Davidson, Doyle & Hilton, LLP  
916 Main Street  
Lynchburg, VA 24504

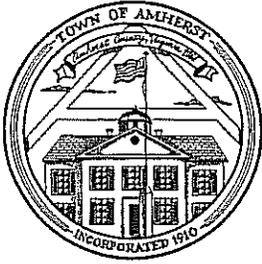




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# TOWN OF AMHERST

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September 27, 2012

Town Council and the Residents and Business Operators of the Town of Amherst

Re: FY12 Audit - Management's Discussion and Analysis

Gentlemen:

Governmental Accounting Standards Board Statement No. 34, as amended by GASB 37, requires governments to prepare a general summary of operating results and changes in financial condition through management discussion and analysis similar to those prepared by publicly traded companies as supplementary information to a comprehensive annual financial report (CAFR). Goals of this MD&A letter are to:

- introduce the Town's basic financial statements
- provide an analytical overview of the Town's financial activities for the audited year based on currently known facts and management's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the Town's operations; and
- advise whether the Town is better or worse off than it was in the prior year.

Accordingly, this narrative overview and analysis of the financial activities of the Town of Amherst is offered for the fiscal year ended June 30, 2012. I encourage the Town's residents and business operators and any other interested individual to read the information presented here in conjunction with additional information furnished in the Town of Amherst's audited financial statements which follow this narrative.

## **Community Profile**

Amherst was incorporated in 1910 and was developed around the courthouse and railroad depot. Four Amherst County schools are located in or near the Town as well as virtually all county offices including the library and museum; a branch of the Central Virginia Community College is also located in the Town. Although Amherst is the commercial center for northern Amherst County, many of the Town's residents are employed by Sweet Briar College; manufacturers of paper, plastic bags and wood stoves; and a variety of businesses, schools and agencies in Lynchburg.

The Town of Amherst is located along U.S. Route 29 between Lynchburg and Charlottesville, Virginia and is the county seat of Amherst County. Amherst has a population of 2,231 per the 2010 Census and a land area of 4.92 square miles.

The Town of Amherst has a five-member Town Council and an independent mayor, and all are elected on a 2-year concurrent cycle. The Town Council sets the policies for the operation of the Town's government.

### **Service Programs**

FY12 was a good year with respect to the successful delivery of the following Town-sponsored services:

- *Public Safety* – Amherst fully funds a police department and streetlights throughout the Town and provides partial funding for volunteer fire and rescue operations. Amherst is a safe community and crime does not seem to be a problem within the Town’s corporate limits.
- *Utility Services* – Amherst operates municipal water purification and distribution, sewer collection and pollution removal, and refuse collection services. No Town customer went without potable water in FY12. The environment was protected by the safe and efficient operation of Amherst’s sewer plant. Sanitation was maintained by the collection and proper disposal of municipal solid waste.
- *Economic Development* – Amherst continues its efforts to increase the local tax base, to provide more and better jobs for residents, and to diversify the local economy with its sponsorship of the L. Barnes Brockman, Sr. Business and Industrial Park and work to improve and promote the Central Business District and Ambriar areas.
- *Community Development* – Amherst sponsors land use planning and regulation programs and continues to make capital investments in its utility infrastructure to guide, direct and support new development. These activities will help steer the community through the growth that is expected to occur as a result of the October 2005 opening of the Madison Heights Bypass, an interstate-quality/limited access highway that connects Amherst and the City of Lynchburg. However, the state of the national economy has had the effect of delaying this anticipated growth.
- *Community Center* – The Town Hall serves as the community’s information center as well as a clearinghouse for an array of programs not directly managed by the federal, state, or county governments or local organizations if for no other reason than there is simply no other entity that provides such services.

A variety of other service programs are available from numerous federal, state, regional or county-level operations. Note that Amherst does not sponsor programs such as hospitals, zoos, airports, or municipal transit and probably never will.

### **Strengths**

A major reason for Amherst’s ongoing success is the people involved in its operation. Qualified individuals are selected and appointed to the Town’s service through a variety of processes. These include the election of public service-oriented Town Councilors, appointment of qualified and interested citizens to boards and committees, hiring of able employees, careful selection of consultants, working with experienced contractors, and cultivation of relationships with price, service and quality-conscience vendors. Most have been willing to help the Town of Amherst “change with the times.”

Another strength is the diversity of the local economy. Sources of employment for Amherst’s residents include Sweet Briar College, various manufacturing concerns, the local government/courthouse industry, health care, and a variety of retail and service establishments. Amherst is fortunate in that it is not dependent on a single industry or employer.

Relative to the total of the Town's annual operating expenses, Amherst had a healthy overall cash reserve on hand as of June 30, 2012. Following the advice of financial consultants, in FY11 the Town refinanced its long-term water debt to take advantage of more favorable interest rates, transferred significant amounts of cash between funds, and implemented a comprehensive fund balance "earmarking" policy. A cash management program implemented several years back has had the effect of stabilizing the benefit of the Town's overall cash position.

### **Problem Areas**

The Town's General Fund revenue sources remain relatively static. Water and Sewer Fund revenues have stabilized from their decline over the past several years due primarily to rate increases. Utility rate increases to fund infrastructure replacement and keep pace with inflation have been approved for the next three fiscal years, but there is some question as to whether the rates are being raised to the level that will be require to adequately fund this program.

### **Opportunities**

Along with the problems and issues facing Amherst comes opportunities.

The community is working to influence growth so that the good things growth and development bring can be enjoyed while the bad things are limited or contained. Amherst enjoys a relatively stable local economy and solid utility infrastructure. The Town has an excellent water source and a virtually new sewer plant that is one of the best in the region. Amherst has more than adequate cash reserves and over \$2,500,000 in real estate "for sale" in Brockman Park.

Several extraterritorial property owners have formally requested to be included within the Town's corporate limits since the 1994 annexation but the Town has not been able to justify such a process due to other workload commitments. However, discussions with large out-of-town property owners as to how the Town might be able to supply water and/or sewer service, as well as the potential application of Town planning programs, to their developments may lead to a boundary adjustment effort in the future.

### **Projects and Initiatives**

Major projects recently completed, underway or anticipated over the next few years include:

- *Brockman Park*— Many lots are vacant but are ready for commercial and industrial development since all necessary road and water, sewer, electrical and internet utility infrastructure has been installed in the development.
- *Wastewater Collection System*— The sewer collection system, with many manholes and miles of sewer "mains", is becoming old and deteriorated. This leads to failure in the form of line collapse or blockage. The Town will be spending significant levels of effort and funds to find, prioritize and remediate these problems in the coming years.
- *Growth Management*— The Town continues its work in planning the growth of the community. This involves not only working through updates and improvements to the Comprehensive Plan and Zoning and Subdivision Ordinance but with capital investments to guide development. A major concern is the direct impact that the Madison Heights Bypass will have on the three Amherst interchanges. Discussion on ways to revitalize the Town's central business district which may result in altered zoning regulations, general marketing or other promotion, physical

improvements to private and public structures and lands, and/or promotion of downtown events is ongoing.

- *S. Main Street Development Area*— The Town’s comprehensive plan indicates the redevelopment and development of the S. Main Street area, from the library to Ambriar Shopping Center, as a local business zone. The Town has recently rezoned much of the area and is finishing up the installation of a new sidewalk there in support of this initiative via grant funding. Recent planning processes have established the Town’s plan to support the development of the Ambriar area and work toward better integration of land use, transportation infrastructure and utility systems development. In FY12 a consensus formed to encourage the development and promotion of the downtown area, and it is apparent that this initiative will receive heightened attention from the Town in the coming years.

### **Financial Statements and Their Relationship to One Another**

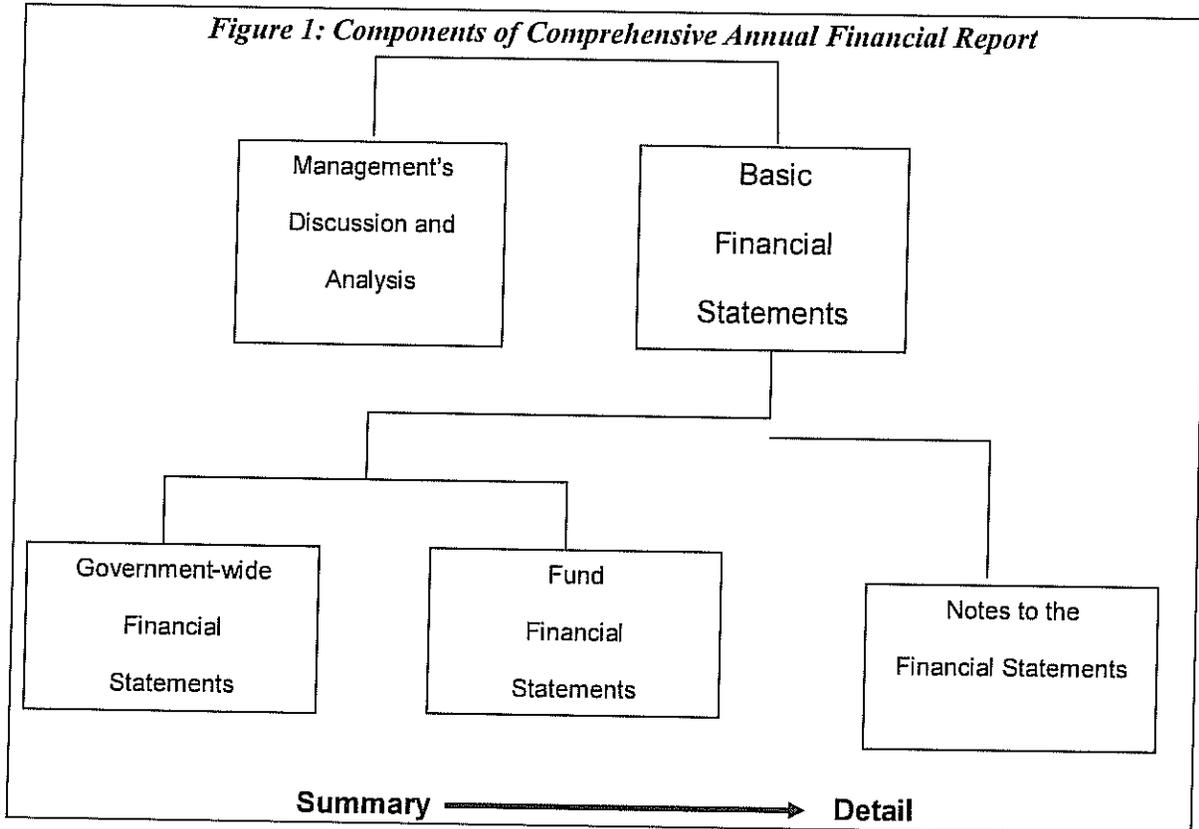
The Town accounts for its programs through three operating funds. The first is the General Fund within which the accounting for governmental services and all personnel expenses by department is maintained. The Town has two proprietary, sometimes called enterprise or business-type, funds in its Water Fund and Sewer Fund. The purpose of these funds is to isolate the sources and uses of funds that are directly related to the respective water and sewer utility services. The enterprise funds can be viewed as Town subsidiaries operating under the “holding company” of the Town government. In addition to these, the Town maintains a Capital Improvement Plan to articulate sources and uses of funds for planned future major outlays.

The CAFR contains a series of standard financial statements for each fund and also for several groupings of funds that explain the Town’s fiscal condition and operation in a standardized, accounting-language way. These statements include:

- *Balance Sheets*— The balance sheet for each fund or group of funds shows assets (things that the Town has in its possession), liabilities (what the Town owes other parties) and net worth (also called “fund equity” or “retained earnings”). This statement is a snapshot of the Town’s fiscal position taken as of the close of business on June 30, 2012.
- *Cash Flow Statements*— Cash flow statements explain sources of cash (where operating monies came from) against uses of cash (expenses or outlays). This is an accounting for monies that passed through the Town’s coffers from July 1, 2011 to June 30, 2012.
- *Income Statements*— An income statement is also known as a “Statement of Revenues, Expenditures, and Changes in Fund Balance”. The income statements based largely on cash flow statements but are adjusted to reflect depreciation charges, amounts “due to” or “due from” when the actual cash receipts or disbursements will occur in other fiscal years, and other adjustments to make the income statement an “accrual” document. The difference between revenue (sources of funds) and expenses (uses of funds), all adjusted per accrual accounting rules, is net income (“Change in Net Assets”).
- *Notes to the Financial Statements*— The notes provide additional and detailed information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

A feature of the CAFR that can be quite confusing is the basis. Balance sheets and income statements for all funds are presented based on full accrual accounting. However, the statements for the General

Fund are also shown on a “modified accrual” (cash basis with some adjustments) basis.



**Fiscal Highlights**

The Town adopts an annual budget via a process involving input from the citizens of the Town, general preparation by the staff and management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance its activities. The budget vs. actual statement provided demonstrates how well the Town has “met” the approved budget and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same general format, language, and classifications as the formal budget ordinance document. The statement shows the final budget with all amendments; the actual resources, changes to appropriations, and ending balances; and the difference or variance between the final budget and the actual resources and charges. Readers should note that the budget is prepared on a cash flow basis; the audited “actual” figures are presented on an accrual basis.

**Comparison of Current Financial Position to Prior Year with Analysis**

*Figure 2: The Town's Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	1,280,590	819,046	1,567,539	1,601,833	2,848,129	2,420,879
Long-term assets	1,317,941	1,328,867	8,170,810	8,328,056	9,488,751	9,656,923
<b>Total assets</b>	<b>2,598,531</b>	<b>2,147,913</b>	<b>9,738,349</b>	<b>9,929,889</b>	<b>12,336,880</b>	<b>12,077,802</b>
Current liabilities	33,056	32,644	165,972	175,274	199,028	207,918
Long-term liabilities	13,200	8,472	4,723,271	4,886,032	4,736,471	4,894,504
<b>Total liabilities</b>	<b>46,256</b>	<b>41,116</b>	<b>4,889,243</b>	<b>5,061,306</b>	<b>4,935,499</b>	<b>5,102,422</b>
Net capital assets	1,317,941	1,328,867	3,273,890	3,273,149	4,591,831	4,602,016
Unrestricted net assets	1,234,334	777,930	1,575,216	1,595,434	2,809,550	2,373,364
<b>Total net assets</b>	<b>2,552,275</b>	<b>2,106,797</b>	<b>4,849,106</b>	<b>4,868,583</b>	<b>7,401,381</b>	<b>6,975,380</b>

- The assets of the Town of Amherst exceeded its liabilities (net assets) at the close of the fiscal year by \$7,401,381.
- The Town's General Fund total fund balance increased by \$445,478, the Water Fund net assets increased by \$26,431, and Sewer Fund net assets decreased by \$45,908. Note that the "net" figures include depreciation charges of \$202,717 in the Water Fund and \$235,541 in the Sewer Fund.
- The amount of cash on hand increased from \$2,101,560 on June 30, 2011 to \$2,410,398 on June 30, 2012 for a net increase of \$308,838.

**Capital Asset and Debt Administration**

Construction capitalized in FY12 is outlined below. There were no major asset deletions due to demolitions, write-downs or other reasons. Work on the Maple/Whitehead project should be finished in FY13, and the Town is nearly ready to begin construction on the 60 West Water Line Project.

	<u>Water Fund</u>	<u>Sewer Fund</u>
Maple/Whitehead Water Line Replacement	\$76,593	
60 West Water Line Replacement	\$32,500	
N Main Sewer Line Replacement (in house)		\$75,633
N Main Sewer Line Relining		\$82,275
School Road Sewer Crossing Replacement		\$14,820
	<u>\$109,093</u>	<u>\$172,728</u>

The Town's legal debt limit is \$17,753,210. Subtracting current long-term debt (i.e. payments due after FY 14) totaling \$4,723,271, the Town has an unused loan capacity of \$13,029,939. All of the Town's debts are guaranteed by "General Obligation". The Town had no financing or refinancing activity in FY 12 but plans to borrow money for the 60 West Water Line Replacement Project in FY13.

**Figure 3: Outstanding Indebtedness**

Purpose for Loan	Bond Date	Original Amount	Balance 6/30/12	Annualized Payment	Interest Rate	Estimated Payoff Date
WTP/UH Water Tank	10/29/2010	\$2,188,523	\$2,007,801	\$185,208	3.280%	Oct-25
Sewer Plant	9/12/2005	\$3,121,000	<u>\$2,878,227</u>	<u>\$159,552</u>	4.125%	Aug-45
Total			\$4,886,028	\$344,760		

On October 2, 2001 the Town Council of the Town of Amherst and the Amherst County Board of Supervisors adopted resolutions which effected an arrangement whereby all revenues associated with Brockman Park - including county taxes, town taxes, land sales, and grants - would be routed to the Town until the Town's original \$3,000,000 investment in the project, which will primarily benefit the county, is "paid down." As of June 30, 2012, the remaining value in the "Brockman Park Recoupment Fund" was \$2,375,546. To encourage economic development at Brockman Park, in FY12 the Town entered into an agreement with an industrial building design-build-finance company that will market and promote sites in the development.

**Change in Financial Condition**

Given the continued economic slowdown, the actual revenues and expenses as compared to those budgeted were generally as expected with the exception of the sidewalk project where accrual rules mandate booking that project within the income statement instead of as a capital asset. This rule has the effect of making both revenue and expense sides look higher than what was budgeted. I offer the following as a snapshot of last year's General Fund budget activity:

**Figure 4: Comparison of General Fund Budget to Actual**

	<u>Budget</u>	<u>Actual</u>	
<b>Revenue</b>			
Per Statement	\$ 1,705,514	\$ 1,827,749	107%
<b>Expense</b>			
Administration	\$ 787,225	\$ 594,595	76%
Police	\$ 358,476	\$ 337,941	94%
Utilities	<u>\$ 559,813</u>	<u>\$ 445,190</u>	80%
Total Expense per Statement	\$ 1,615,853	\$ 1,377,726	85%
<b>Net Income(Loss)</b>		<b>\$ 450,023</b>	

Explaining the performance of the Water and Sewer Funds is a little more complicated due to depreciation charges and construction funding, and the figures are eclipsed by the aging infrastructure issue.

**Infrastructure Assets**

From an accrual, auditor-prepared financial statement basis, I believe the FY12 Comprehensive

Annual Financial Report depicts a good year. On the other hand, the Town is still suffering from lower water and sewer consumption as compared to prior years. The Town needs to stay focused on maintaining its basic infrastructure. For example, if the Town has about 60 miles of water and sewer pipe, and if a pipe has a life expectancy of about 60 years (both very general figures), the Town's construction program should include replacing at least a mile of pipe per year just to stay current. Note that the Town did not replace or refurbish any of its treatment plant, pump station or tank infrastructure during FY12. In short, the remaining useful life of each of these key fixed assets as well as all of the pipes, manholes and fire hydrants that were not improved decreased by a full year in FY12. This is clearly not a favorable situation and the bill will eventually become due.

### **Summary**

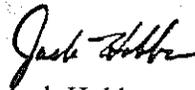
Working to improve the Town's ever-aging water and sewer infrastructure and maintaining a competent and motivated workforce continue to be the Town's most significant challenges.

Except for these factors, the effects of which are difficult to quantify from a multi-year fiscal perspective, it is my opinion that the Town is weathering the recession better than most would expect and is better off as of June 30, 2012 than it was on June 30, 2011. Furthermore, the general state of the Town of Amherst's finances is good if compared to many other local governments, and this situation will be resolved with the recovery of the economy and higher water and sewer usage. The prospects for our community continue to be excellent.

### **Requests for Information**

This Management Discussion and Analysis letter is intended to provide an overview of the Town of Amherst's finances for those with an interest in this area. Please let me know if you have any questions or concerns about any item contained in this letter or in the audit report.

Sincerely,



Jack Hobbs  
Town Manager



Independent Auditor's Report

To the Honorable Members of the Town Council  
Town of Amherst, Virginia

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Amherst as of and for the year ended June 30, 2012, which collectively comprise the Town of Amherst's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Amherst'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Specifications for Audit 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 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 and the business-type activities of the Town of Amherst as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 27, 2012, on our consideration of the Town of Amherst'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Amherst's financial statements taken as a whole. The required supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The required supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The required supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Davidson Doyle & Hilton, LLP*

Lynchburg, Virginia  
September 27, 2012





Town of Amherst, Virginia  
 Combined Balance Sheet  
 Statement of Net Assets  
 Full Accrual Basis  
 June 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 233,750	\$ 925,767	\$ 1,159,517
Investments	1,000,000	300,000	1,300,000
Net Taxes Receivable	22,115	-	22,115
Net Other Accounts Receivable	13,773	-	13,773
Net Enterprise Accounts Receivable	-	144,569	144,569
Grants Receivable	-	69,641	69,641
Prepaid Expenses	10,952	-	10,952
Inventory	-	127,562	127,562
<i>Total Current Assets</i>	<u>1,280,590</u>	<u>1,567,539</u>	<u>2,848,129</u>
Net Fixed Assets	1,317,941	8,159,919	9,477,860
Net Loan Costs	-	10,891	10,891
<i>Total Long-Term Assets</i>	<u>1,317,941</u>	<u>8,170,810</u>	<u>9,488,751</u>
<b>Total Assets</b>	<u>\$ 2,598,531</u>	<u>\$ 9,738,349</u>	<u>\$ 12,336,880</u>
<b>Liabilities</b>			
Accounts Payable	\$ 979	\$ 3,215	\$ 4,194
Accrued Liabilities	255	-	255
Uncompensated absences	31,822	-	31,822
Current Portion of Notes Payable	-	162,757	162,757
<i>Total Current Liabilities</i>	<u>33,056</u>	<u>165,972</u>	<u>199,028</u>
OPEB liability	13,200	-	13,200
Long-Term Portion of Notes Payable	-	4,723,271	4,723,271
<i>Total Long-Term Liabilities</i>	<u>13,200</u>	<u>4,723,271</u>	<u>4,736,471</u>
<b>Total Liabilities</b>	<u>46,256</u>	<u>4,889,243</u>	<u>4,935,499</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,317,941	3,273,890	4,591,831
Unrestricted net assets	1,234,334	1,575,216	2,809,550
<i>Total Net Assets</i>	<u>2,552,275</u>	<u>4,849,106</u>	<u>7,401,381</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,598,531</u>	<u>\$ 9,738,349</u>	<u>\$ 12,336,880</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Activities  
Full Accrual Basis  
For the year ending June 30, 2012

**Net (Expense) Revenue  
and Changes in Net Assets**

	Program Revenues			Primary Government			
	Program Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government administration	\$ 604,741	\$ 847,659	\$ -	\$ 19,641	\$ 262,559	\$ -	\$ 262,559
Public Safety	341,497	-	60,869	-	(280,628)	-	(280,628)
Public Works	442,102	-	-	-	(442,102)	-	(442,102)
<b>Total Government Activities</b>	<b>\$ 1,388,340</b>	<b>\$ 847,659</b>	<b>\$ 60,869</b>	<b>\$ 19,641</b>	<b>\$ (460,171)</b>	<b>\$ -</b>	<b>\$ (460,171)</b>
Business type activities							
Water & Sewer	1,622,364	1,503,246	99,641	-	-	(19,477)	(19,477)
<b>Total Primary Government</b>	<b>\$ 3,010,704</b>	<b>\$ 2,350,905</b>	<b>\$ 160,510</b>	<b>\$ 19,641</b>	<b>\$ (460,171)</b>	<b>\$ (19,477)</b>	<b>\$ (479,648)</b>
General revenues:							
General property taxes					112,601	-	112,601
Other local taxes					705,899	-	705,899
Unrestricted revenues from use of money and property					27,489	-	27,489
Permits and Privilege Fees					7,515	-	7,515
Fines and Forfeitures					39,797	-	39,797
Intergovernmental revenues					12,348	-	12,348
Transfers					-	-	-
<b>Total General Revenues and Transfers</b>					<b>905,649</b>	<b>-</b>	<b>905,649</b>
Change in net assets					\$ 445,478	\$ (19,477)	\$ 426,001
Net assets-beginning					2,106,797	4,868,583	6,975,380
Net assets-ending					<u>\$ 2,552,275</u>	<u>\$ 4,849,106</u>	<u>\$ 7,401,381</u>

See accompanying notes to the financial statements



Town of Amherst, Virginia  
Balance Sheet  
Governmental Funds  
Modified Accrual Basis  
June 30, 2012

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 184,631
Investments	1,000,000
Net Taxes Receivable	22,115
Net Other Accounts Receivable	13,773
Prepaid Expenses	10,952
<i>Total Current Assets</i>	<u>1,231,471</u>
<b>Total Assets</b>	<b>\$ <u><u>1,231,471</u></u></b>
<b><u>Liabilities</u></b>	
Accounts Payable	979
Accrued Liabilities	255
Deferred Revenue	22,115
<i>Total Current Liabilities</i>	<u>23,349</u>
<b>Total Liabilities</b>	<b><u>23,349</u></b>
<b><u>Fund Equity</u></b>	
Fund Balance - Nonspendable	10,952
Fund Balance - Unassigned	1,197,170
<i>Total Fund Equity</i>	<u>1,208,122</u>
<b>Total Liabilities and Fund Equity</b>	<b>\$ <u><u>1,231,471</u></u></b>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2012

**Revenues**

General Property Taxes

Real Property Taxes	\$ 65,035
Personal Property Taxes	31,210
Personal Property Tax Relief	17,456
Penalties	5,279
<i>Total General Property Taxes</i>	<u>118,980</u>

Other Local Taxes

Meals	277,628
Lodging	4,256
Consumer Utility Taxes	134,934
Local Sales and Use Taxes	88,375
Business License Taxes	100,337
Motor Vehicle Licenses	45,118
Bank Stock Taxes	55,251
<i>Total Other Local Taxes</i>	<u>705,899</u>

Permits and Privilege Fees

Communications Lease	7,515
<i>Total Permits and Privilege Fees</i>	<u>7,515</u>

Fines and Forfeitures

Fines	38,053
Seized Property	1,744
<i>Total Fines and Forfeitures</i>	<u>39,797</u>

Revenue from Use of Money and Property

Interest Earned	9,620
<i>Total Revenue from Use of Money and Property</i>	<u>9,620</u>

Miscellaneous Revenue

Trash Curbside	90,808
Miscellaneous	63,176
Administrative Fees from Enterprise Funds	696,000
Police Security Revenue	2,344
<i>Total Miscellaneous Revenues</i>	<u>852,328</u>

Intergovernmental Revenues

<i>Non-Categorical Aid From the Commonwealth</i>	
Economic Development Recoupment Fee	9,943
Rolling Stock	2,405
<i>Categorical Aid From the Commonwealth</i>	
South Main Street Sidewalk Grant	19,641
Virginia State Police Grant	52,884
Fire Grant	8,000
VML Safety Program Grant	737
<i>Total Intergovernmental Revenues</i>	<u>93,610</u>

**Total Revenues** \$ 1,827,749

See accompanying notes to the financial statements





Town of Amherst, Virginia  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Funds  
 Modified Accrual Basis  
 For the Year Ended June 30, 2012

**Expenditures**

General Government Administration

*Legislative*

Total Mayor and Town Council	\$ 1,300
Total Legislative	1,300

*Non-Legislative General Government*

General Government Salaries	148,869
Employment Expenses	48,809
Employee Assistance Program	825
Town Attorney	3,470
Office Supplies	17,724
Office Equipment	21,783
Miscellaneous	2,672
Contingency Reserve	561
Capital Expenditures	52,700
Property & Landscape Maintenance	14,119
Electric - Streetlights	34,712
Heat and Electricity	2,657
Telephone	13,225
Grants	26,750
Utility Service Allowance	1,472
Building Maintenance	5,218
Decorations	1,169
Insurance	47,516
Marketing	21,027
Publications and Membership	4,014
Trash Contract Collection	76,064
Travel and Training	972
Audit & Accounting Services	8,050
Engineering Services	6,000
Fire Department	8,000
South Main Street Sidewalk	24,917
Total Non-Legislative General Government	593,295

*Total General Government Administration*      **\$ 594,595**

Public Safety Expenditures

*Law Enforcement and Traffic Control*

Public Safety Salaries	\$ 218,628
Employment Expenses	78,376
Equipment and Uniforms	7,789
Travel and Training	1,575
Vehicles - Fuel	15,801
Vehicles - Maintenance	4,471
Miscellaneous	1,754
Rent	3,946
Supplies	3,097
Attorney fees	2,504
Total Public Safety Expenditures	\$ 337,941

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2012

<b><u>Expenditures (continued)</u></b>	
<b><u>Public Works Expenditures</u></b>	
<i>Utilities</i>	
Salaries	\$ 345,553
Employment Expenses	132,781
Benefits-Contra Capital Projects	(76,759)
Heat and Electricity	3,105
Vehicles - Repair	1,707
Uniforms	2,955
Building Maintenance	1,066
Equipment Maintenance	7,831
Training and Education	5,914
Miscellaneous	4,849
Vehicles - Fuel	16,188
<i>Total Public Works Expenditures</i>	<u>445,190</u>
<b><i>Total Expenditures</i></b>	<u><b>1,377,726</b></u>
<b><i>Excess of revenues over expenditures</i></b>	<u><b>450,023</b></u>
<b><u>Other financing sources (uses)</u></b>	
Transfers out	<u>-</u>
<b><i>Total other financing sources (uses)</i></b>	<u><b>-</b></u>
Change in Fund Balance	\$ 450,023
Fund Balance-Beginning	758,099
Fund Balance-Ending	<u><u>\$ 1,208,122</u></u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Net Assets  
Proprietary Funds  
Full Accrual Basis  
June 30, 2012

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Memorandum Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 497,427	\$ 428,340	\$ 925,767
Investments	300,000	-	300,000
Net Enterprise Accounts Receivable	76,446	68,123	144,569
Grants receivable	-	69,641	69,641
Inventory	118,606	8,956	127,562
<i>Total Current Assets</i>	<u>992,479</u>	<u>575,060</u>	<u>1,567,539</u>
Net Fixed Assets	3,853,928	4,305,991	8,159,919
Net Loan Costs	10,891	-	10,891
<i>Total Long Term Assets</i>	<u>3,864,819</u>	<u>4,305,991</u>	<u>8,170,810</u>
<b>Total Assets</b>	<u>\$ 4,857,298</u>	<u>\$ 4,881,051</u>	<u>\$ 9,738,349</u>
<b>Liabilities</b>			
Accounts Payable	\$ 682	\$ 2,533	\$ 3,215
Current Portion of Notes Payable	121,153	41,604	162,757
<i>Total Current Liabilities</i>	<u>121,835</u>	<u>44,137</u>	<u>165,972</u>
Notes Payable	1,886,648	2,836,623	4,723,271
<i>Total Long Term Liabilities</i>	<u>1,886,648</u>	<u>2,836,623</u>	<u>4,723,271</u>
<b>Total Liabilities</b>	<u>2,008,483</u>	<u>2,880,760</u>	<u>4,889,243</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,846,126	1,427,764	3,273,890
Unrestricted	1,002,689	572,527	1,575,216
<b>Total Net Assets</b>	<u>2,848,815</u>	<u>2,000,291</u>	<u>4,849,106</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,857,298</u>	<u>\$ 4,881,051</u>	<u>\$ 9,738,349</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Full Accrual Basis  
For the Year Ending June 30, 2012

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Monthly Billing	\$ 579,428	\$ 648,522	\$ 1,227,950
Sprinkler Revenue	4,972	-	4,972
Penalties	11,443	7,750	19,193
Water Service Revenue	101,310	-	101,310
Debt Service Revenue	99,853	-	99,853
Grant Revenue	30,000	69,641	99,641
Miscellaneous Revenue	8,760	-	8,760
Availability Fees	1,700	2,500	4,200
Maintenance and Construction Revenue	1,019	2,290	3,309
Rutledge Creek Operations	-	33,699	33,699
<b>Total Operating Revenues</b>	<b>\$ 838,485</b>	<b>\$ 764,402</b>	<b>\$ 1,602,887</b>
<b><u>Operating Expenses</u></b>			
Administrative Fees	\$ 353,000	\$ 343,000	\$ 696,000
Line Materials	8,972	3,698	12,670
Pump Stations Operations	1,878	3,413	5,291
Electricity	29,245	36,925	66,170
Water & Sewer Service	62,476	1,899	64,375
Maintenance	17,014	22,171	39,185
Chemicals	30,682	6,535	37,217
Water Sampling	10,356	-	10,356
Laboratory	5,515	14,424	19,939
Miscellaneous	-	16,147	16,147
Watershed Management	20,989	-	20,989
Nutrient Report Expense	-	6,476	6,476
Water & Sewer Study & Maps	451	451	902
Depreciation Expense	202,717	235,541	438,258
Amortization Expense	809	-	809
<b>Total Operating Expenses</b>	<b>\$ 744,104</b>	<b>\$ 690,680</b>	<b>\$ 1,434,784</b>
<b>Operating income (expense)</b>	<b>\$ 94,381</b>	<b>\$ 73,722</b>	<b>\$ 168,103</b>
<b><u>Non-operating revenues (expenses)</u></b>			
Interest Expense	(67,950)	(119,630)	(187,580)
<b>Total non-operating Revenues/Expenses</b>	<b>(67,950)</b>	<b>(119,630)</b>	<b>(187,580)</b>
<b>Income (loss) before contributions and transfers</b>	<b>26,431</b>	<b>(45,908)</b>	<b>(19,477)</b>
Transfers in	0	0	0
<b>Change in Net Assets</b>	<b>26,431</b>	<b>(45,908)</b>	<b>(19,477)</b>
Net Assets-Beginning	2,822,384	2,046,199	4,868,583
<b>Net Assets-Ending</b>	<b>\$ 2,848,815</b>	<b>\$ 2,000,291</b>	<b>\$ 4,849,106</b>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Cash Flows  
Proprietary Funds  
Full Accrual Basis  
For the Year Ended June 30, 2012

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Memorandum Total Only
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 805,902	\$ 694,498	\$ 1,500,400
Payments to suppliers	(261,686)	(102,848)	(364,534)
Internal activity - payments to other funds	(353,000)	(343,000)	(696,000)
Other receipts (payments)	45,000	-	45,000
Net cash provided by (used in) operating activities	<u>236,216</u>	<u>248,650</u>	<u>484,866</u>
<b>Cash flows from Capital and Related Financing Activities</b>			
Purchases of investments	(300,000)	-	(300,000)
Purchases of capital assets	(109,093)	(172,728)	(281,821)
Principal paid on capital debt	(117,256)	(39,923)	(157,179)
Interest paid on capital debt	(67,950)	(119,630)	(187,580)
Net cash used in capital and related financing activities	<u>(594,299)</u>	<u>(332,281)</u>	<u>(926,580)</u>
Net Decrease in Cash & Cash Equivalents	(358,083)	(83,631)	(441,714)
Cash & Cash Equivalents, beginning of year	855,510	511,971	1,367,481
Cash & Cash Equivalents, end of year	<u>\$ 497,427</u>	<u>\$ 428,340</u>	<u>\$ 925,767</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 94,381	\$ 73,722	\$ 168,103
Adjustments to reconcile change in unrestricted net assets			
Depreciation and Amortization	203,526	235,541	439,067
Decrease/(Increase) in accounts receivable	(2,583)	(263)	(2,846)
Decrease/(Increase) in grants receivable	15,000	(69,641)	(54,641)
Decrease/(Increase) in inventory	(59,790)	9,857	(49,933)
(Decrease)/Increase in accounts payable	(14,318)	(566)	(14,884)
Net cash provided by operating activities	<u>\$ 236,216</u>	<u>\$ 248,650</u>	<u>\$ 484,866</u>

See accompanying notes to the financial statements





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

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

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The Town of Amherst, Virginia (“Town”) is governed by an elected Town Council. The Town Council is responsible for appointing the Town Manager and Treasurer.

The financial statements of The Town of Amherst, Virginia have been prepared in conformity with the specification promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (hereafter referred to as the GASB). 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” affects the way the Town prepares and presents financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The model 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.

**Government-wide and Fund Financial Statements**

Government-wide and Fund Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities.

The government-wide financial statements (i.e., 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 units. For the most part, 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.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

Statement of Activities-The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function.

The statement of activities demonstrates the degree to which the direct expenses of a given function are 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, proprietary funds. Major individual government funds and major individual enterprise 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.

**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 basic financial statements is financial accountability.

**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 Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 fiscal year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting organization are met.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues, 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 or a business type entity.

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 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.

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 limitation.

1. Governmental Funds

Governmental Funds are those through which most governmental functions are financed. These funds are reported on the modified accrual basis of accounting. The government reports the following major governmental funds.

General 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.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies (continued)**

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

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. These funds are reported on the full accrual basis of accounting. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise funds.

Enterprise Funds:

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash and Cash Equivalents**

State statutes authorize the Town government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool. The Town considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash equivalents.

**Investments**

Investments for the government, as well as for its component units, are reported at fair value. Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit with maturities less than one year and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Certificates of deposit with maturities of greater than twelve months are included in investments at fair value.

**Interfund Balances and Activity**

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 other funds" or "due from other funds" (i.e. the current portion of interfund loans).





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies (continued)**

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**Receivables and payables**

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 \$495 at June 30, 2012, and is composed of real estate and personal property accounts.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on December 5<sup>th</sup>. The Town bills and collects its own property taxes.

**Inventory**

Inventory in proprietary fund types consists of materials and supplies held for consumption. The inventory is carried at the lower of cost or market.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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 insurance costs, during the current period. The face amount of debt issued is reported as other financial sources while discounts on debt insurance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Revenue**

Deferred revenue consists primarily of property taxes and other receivables not collected within 60 days of yearend.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies (continued)**

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**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Town Council. Those committed amounts cannot be used for any other purpose unless Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Town Council.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies (continued)**

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**Fund Balance (continued)**

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Use of Estimates**

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

**Note 2 – Cash and Investments**

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Deposits: All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia (a multiple financial institution collateral pool) 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 amounts of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loans 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) and Asian Development Bank, commercial Paper Record, banker’s acceptances, repurchase agreements and state Treasurers Local Government Investment Pool (LGIP).

The Town maintains its cash balances including certificates of deposit at several financial institutions. The accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The cash balances in excess of the insurance limits are as follows at June 30, 2012:

Carter Bank & Trust	\$1,916,949
Bank of the James	\$ 51,777





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 3 – Property Taxes Receivable**

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Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on December 5. The Town bills and collects its own property taxes.

**Note 4 – Claims, Judgments and Compensated Absences**

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In accordance with GASB 16, the Town has accrued liabilities arising from outstanding claims, judgments and compensated absences. Town employees are paid all unused vacation, holiday due and compensatory time upon termination. The Town has \$31,822 of accrued compensated absences at June 30, 2012.

**Note 5 – Long-Term Debt**

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**Water Fund**

On October 29, 2010, the Town issued a general obligation bond to Suntrust Bank and concurrently signed a note with the bank for \$2,188,523, at 3.28% interest to refinance the 1995 note with the United States Department of Agriculture and the 2007 note with Carter Bank & Trust, both of which were used to finance water system improvement programs. The note is secured by the general obligation bond issued by the Town. Payments of principal and interest of \$15,434 are due monthly and began on December 15, 2010. At June 30, 2012 the outstanding balance was \$2,007,801. Interest of \$67,950 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2013	\$ 121,153	\$ 64,052
2014	125,188	60,018
2015	129,356	55,850
2016	133,663	51,542
2017	138,114	47,092
2018 - 2022	762,692	163,336
2023 - 2026	597,635	34,941
	<b>\$ 2,007,801</b>	<b>\$ 476,831</b>





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 5 – Long-Term Debt (continued)**

**Sewer Fund**

On August 4, 2003 the Town obtained interim financing to finance the construction of a new sewer plant. The amount of financing was \$3,121,000. On August 12, 2005, the town issued a note, which replaced the August 4, 2003 interim financing, with the United States Department of Agriculture, secured by a general obligation bond issued by the Town. The obligation has a rate of interest of 4.125% and is amortized over a 40 year period. Payments of principal and interest of \$13,296 are due monthly and began on September 12, 2005. As of June 30, 2012, the outstanding balance was \$2,878,227. Interest of \$119,630 was paid during the current fiscal year. A schedule of maturities is as follows:

For the year ending June 30	Principal	Interest
2013	\$ 41,604	117,948
2014	43,353	116,199
2015	45,175	114,376
2016	47,075	112,477
2017	49,054	110,498
2018 - 2022	277,990	519,769
2023 - 2027	341,546	456,214
2028 - 2032	419,633	378,127
2033 - 2037	515,572	282,188
2038 - 2042	633,445	164,315
2043 - 2046	463,780	31,107
	<u>\$ 2,878,227</u>	<u>\$ 2,403,218</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
Governmental activities	\$ -	\$ -	\$ -	\$ -
Business-type activities:				
Water Fund	2,125,057	-	117,256	2,007,801
Sewer Fund	2,918,150	-	39,923	2,878,227
Total Business-type activities	<u>5,043,207</u>	<u>-</u>	<u>157,179</u>	<u>4,886,028</u>
Total	<u>\$ 5,043,207</u>	<u>\$ -</u>	<u>\$ 157,179</u>	<u>\$ 4,886,028</u>





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 6 – Retirement Plan**

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**Plan Description**

The Town contributes to the Virginia Retirement System (VRS), which is an agent and cost sharing multiple employer defined benefit pension administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service.

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

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

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

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





A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (“COLA”) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0%. 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 (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained by writing to the System's Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218 or from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>.

**Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to VRS. All or part of the 5% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended June 30, 2012 was 16.03% of annual covered payroll.

**Annual Pension Cost**

For the fiscal year ended June 30, 2012, the Town's annual pension cost of \$89,667 for VRS was not equal to the required and actual contributions. The actual contributions for the fiscal year ended June 30, 2012 was \$86,951.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 80,565	100 %	\$ -
6/30/2011	83,750	100	-
6/30/2012	89,667	97	2,716

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.5%, (b) projected salary increases ranging from 3.75% – 5.6% per year for general government employees and 3.5% and 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, (c) a cost of living adjustment of 2.5% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 6 – Retirement Plan (continued)**

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**Funding Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.33% funded. The actuarial accrued liability for benefits was \$3,585,579, and the actuarial value of assets was \$2,736,861, resulting in an unfunded actuarial accrued liability (UAAL) of \$848,718. The covered payroll (annual payroll of active employees covered by the plan) was \$669,320, and the ratio of the UAAL to the covered payroll was 126.80%.

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

**Note 7 - Defined contribution retirement plan**

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The Town has a salary reduction 457(b) plan covering substantially all employees, which allows employees to defer a percentage of their income for retirement. The Town does not provide any contributions to the plan.

**Note 8 - Other Post Employment Benefits**

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The Governmental Accounting Standards Board (“GASB”) has issued its statement No. 45 *Financial Reporting for Postemployment Benefits Other than Pension Plans* (“OPEB”). The statement established standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

**Plan Description**

The Town provides certain benefits for retired employees through a single employer defined benefit health and welfare plan. The Town may change, add or delete benefits with Town Council approval.

**Benefits Provided**

The Town provides post employment health, dental, and vision benefits to its retirees, through its group insurance health plan. Retirees must meet the eligibility requirements based on service earned with VRS (discussed in Note 6) to be eligible to receive benefits upon retirement. Retirees may elect to cover a spouse and the spouse can continue coverage upon death of the retiree.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 8 - Other Post Employment Benefits (continued)**

**Membership**

The number of participants at June 30, 2012 was as follows:

Actives	16
Retirees	1
Spouses	<u>2</u>
 Total Participants	 <u><u>19</u></u>

**Funding Policy**

The Town currently funds postemployment health care benefits on a pay-as-you-go basis. During the year ended June 30, 2012, the Town recorded \$4,728 for the OPEB liability.

**Annual Other Postemployment Benefit Cost and Net OPEB Obligation**

The following table shows the elements of the Town's annual OPEB cost for the year the changes in the Town's net OPEB obligation for the fiscal year ended June 30, 2012.

Annual required contribution	\$ <u>9,300</u>
Annual OPEB cost	9,300
Contributions made	<u>(4,572)</u>
Increase in net OPEB obligation	4,728
Net OPEB obligation - beginning of year	<u>8,472</u>
Net OPEB obligation - end of year	\$ <u><u>13,200</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 are as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 9,300	49 %	\$ 12,300
6/30/2011	8,900	51	8,472
6/30/2010	8,500	51	4,144





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 8 - Other Post Employment Benefits (continued)**

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**Funding Status and Funding Progress**

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial Accrued Liability (AAL)	\$	108,000
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)		108,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)		677,900
UAAL as a Percentage of Covered Payroll		15.9%

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

**Actuarial Methods and Assumptions**

In the June 30, 2010 valuation, the projected unit credit actuarial cost method was used to develop the AAL and the normal cost. The actuarial assumptions used an investment rate of return of 4% for unfunded ARC, a healthcare cost trend of 8.20% graded to 4.70% over 80 years, and payroll growth rate of 3.75%. The unfunded actuarial accrued liability is being amortized over 30 years using the Level Percent of Payroll method. The remaining amortization period at June 30, 2010 is 30 years.

**Note 9 – Surety Bonds**

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The Town maintains a surety bond on all the Town employees in the amount of \$100,000 each with the Virginia Municipal League Insurance Program.

**Note 10 – Risk Management**

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The Town of Amherst has contracted with insurance carriers to provide coverage for property damage, employee dishonesty, general liability and workers compensation. There has been no significant reduction in insurance coverage for the past three years.

The Town contracts with a private carrier for health insurance coverage for its employees. All risk of health related claims has been fully transferred to the Health Insurance Provider.





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**Note 11 – Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property and Equipment is stated at cost or estimated cost. Donated property is recorded at market value prevailing at the date of donation. Depreciation on property and equipment commences on the first of the fiscal year following the date initially placed into service.

Depreciation has been provided over the following estimated useful lives using the straight-line method:

Water/Sewer system	15-40 years
Buildings	40 years
Equipment	5-15 years

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2012 are as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Land	\$ 1,055,370	\$ -	\$ -	\$ 1,055,370
Town Hall Renovations	143,966	-	-	143,966
Equipment	451,630	52,700	38,871	465,459
Subtotal	\$ 1,650,966	\$ 52,700	\$ 38,871	\$ 1,664,795
Less Accumulated Depreciation	322,099	58,957	34,202	346,854
Net Total Capital Assets	\$ 1,328,867	\$ (6,257)	\$ (4,669)	\$ 1,317,941





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**Note 11 – Capital Assets (continued)**

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2012 are as follows:

**Proprietary Water Fund**

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Equipment	63,061	-	-	63,061
Plant and Lines	6,210,930	109,093	-	6,320,023
Subtotal	\$ 6,279,591	\$ 109,093	\$ -	\$ 6,388,684
Less Accumulated Depreciation	2,332,039	202,717	-	2,534,756
Net Total Capital Assets	\$ 3,947,552	\$ (93,624)	\$ -	\$ 3,853,928

As of June 30, 2012, \$145,093 of the Proprietary Water Fund property and equipment balance is construction in progress and is not being depreciated.

**Proprietary Sewer Fund**

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Land	\$ 6,984	\$ -	\$ -	\$ 6,984
Equipment	41,693	-	-	41,693
Plant and Lines	6,573,977	172,728	-	6,746,705
Subtotal	\$ 6,622,654	\$ 172,728	\$ -	\$ 6,795,382
Less Accumulated Depreciation	2,253,850	235,541	-	2,489,391
Net Total Capital Assets	\$ 4,368,804	\$ (62,813)	\$ -	\$ 4,305,991





**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

**Note 12 – Reconciliation of Fund Balances to Governmental Net Assets**

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Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

Fund Balance-Total	\$ 1,208,122
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.	1,317,941
Accounts receivable for real estate taxes	22,115
Uncompensated absence accrual	(31,822)
OPEB liability accrual	(13,200)
Certificate of deposit interest income accrual	<u>49,119</u>
Net assets of General Government Activities	\$ <u>2,552,275</u>

**Note 13 – Grants**

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The Town received several grants during the year. Two grants totaled \$8,737 for use in Public Safety. Additional reimbursement grants were received for the South Main Street Sidewalk in the amount of \$52,884 and water line upgrades in the amount of \$30,000. The Town has a grant receivable from FEMA in the amount of \$69,641. The grant expenses are included in the Statement of Revenue, Expenditures and Changes in Fund Balance. If the use of grants is for capital equipment, the expenditure is reclassified as a Capital Asset and depreciated.

**Note 14 - Leases**

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The Town leases office space for the police department. The lease commenced on August 1, 2008 and will end on July 31, 2012. The monthly rental amount is \$300. Annual rental expense for the year ended June 30, 2012 was \$3,946. Minimum annual rental payment required under the lease are \$300 for the year ending June 30, 2013. Subsequent to July 31, 2012, the lease is operating on a month-to-month basis.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 15 – Fund Balances**

Management implemented Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* starting with the year ending June 30, 2011. In accordance with GASB Statement No. 54, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental funds are presented below.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:		
Prepaid expenses	\$ <u>10,952</u>	\$ <u>10,952</u>
Total Nonspendable	<u>10,952</u>	<u>10,952</u>
Unassigned:		
Permanent fund principal	274,162	274,162
Other unassigned	<u>923,008</u>	<u>923,008</u>
Total Unassigned	<u>1,197,170</u>	<u>1,197,170</u>
Total Fund Balances	\$ <u>1,208,122</u>	\$ <u>1,208,122</u>

In accordance with Town policy, the Town has established a permanent fund principal in the amount of 15% of annual general fund revenues in order to meet ongoing expenditure obligations of the Town. The permanent fund principal represents a contingency reserve. As this permanent fund principal does not meet the definitions of restricted, committed or assigned fund balance, it is classified as unassigned.

**Note 16 - Contingency**

The Town has a potential contingency due to the possibility of water and sewer pipe replacement in the near future. The Town Council is unable to estimate the cost of this replacement, therefore, no liability has been established on the government wide financial statements.

**Note 17 - Commitment**

The Town has accepted an initial funding package from The Virginia Department of Health (VDH) for drinking water construction funds. The total funding package consists of \$1,214,000, which consists of a loan in the amount of \$607,000 at 3% interest for a term of 30 years with principal forgiveness in the amount of \$607,000. The funding package and loan closing are contingent upon several factors. The loan closing and funding had not occurred as of June 30, 2012.





**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

**Note 18 - Subsequent Events**

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The Town has evaluated subsequent events through September 27, 2012, the date the report was available for issuance. No events requiring disclosure were noted.





**Town of Amherst, Virginia  
Summary of Compliance Matters**

As more fully described in the “Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards,” we performed tests of the Town of Amherst’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws

Cash and Investments Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws





DAVIDSON, DOYLE & HILTON  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Members of Town Council  
Town of Amherst, Virginia

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Amherst as of and for the year ended June 30, 2012, which collectively comprise the Town of Amherst's basic financial statements and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Specifications for Audit of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management of Town of Amherst is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Amherst, in a separate letter dated September 27, 2012.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these separate parties. However, this report is a matter of public record and its distribution is not limited.

*Davidson Doyle & Hilton, LLP*

Lynchburg, Virginia  
September 27, 2012





Town of Amherst, Virginia  
 Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
 Governmental Funds  
 Modified Accrual Basis  
 For the Year Ended June 30, 2012

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Revenues</b>			
<u>General Property Taxes</u>			
Real Property Taxes	\$ 63,000	\$ 65,035	\$ 2,035
Personal Property Taxes	28,000	31,210	3,210
Personal Property Tax Relief	17,456	17,456	-
Penalties	3,000	5,279	2,279
<i>Total General Property Taxes</i>	<u>111,456</u>	<u>118,980</u>	<u>7,524</u>
<u>Other Local Taxes</u>			
Meals	225,000	277,628	52,628
Lodging	5,000	4,256	(744)
Consumer Utility Taxes	137,900	134,934	(2,966)
Local Sales and Use Taxes	93,600	88,375	(5,225)
Business License Taxes	100,000	100,337	337
Motor Vehicle Licenses	40,000	45,118	5,118
Bank Stock Taxes	50,000	55,251	5,251
<i>Total Other Local Taxes</i>	<u>651,500</u>	<u>705,899</u>	<u>54,399</u>
<u>Permits and Privilege Fees</u>			
Communications Lease	7,860	7,515	(345)
<i>Total Permits and Privilege Fees</i>	<u>7,860</u>	<u>7,515</u>	<u>(345)</u>
<u>Fines and Forfeitures</u>			
Fines	11,000	38,053	27,053
Seized Property	9,000	1,744	(7,256)
<i>Total Fines and Forfeitures</i>	<u>20,000</u>	<u>39,797</u>	<u>19,797</u>
<u>Revenue from Use of Money and Property</u>			
Interest Earned	27,000	9,620	(17,380)
<i>Total Revenue from Use of Money and Property</i>	<u>27,000</u>	<u>9,620</u>	<u>(17,380)</u>
<u>Miscellaneous Revenue</u>			
Trash Curbside	90,467	90,808	341
Miscellaneous	25,812	63,176	37,364
Administrative Fees from Enterprise Funds	696,000	696,000	-
Police Security Revenue	1,100	2,344	1,244
<i>Total Miscellaneous Revenues</i>	<u>813,379</u>	<u>852,328</u>	<u>38,949</u>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	9,679	9,943	264
Rolling Stock	2,460	2,405	(55)
<i>Categorical Aid From the Commonwealth</i>			
Law Enforcement	2,096	-	(2,096)
South Main Street Sidewalk Grant	-	19,641	19,641
Virginia State Police Grant	52,884	52,884	-
Fire Grant	7,200	8,000	800
VML Safety Program Grant	-	737	737
<i>Total Intergovernmental Revenues</i>	<u>74,319</u>	<u>93,610</u>	<u>19,291</u>
<b>Total Revenues</b>	<b>\$ 1,705,514</b>	<b>\$ 1,827,749</b>	<b>\$ 122,235</b>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2012

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Expenditures</b>			
<u>General Government Administration</u>			
<i>Legislative</i>			
Total Mayor and Town Council	\$ 1,300	\$ 1,300	\$ -
Total Legislative	<u>1,300</u>	<u>1,300</u>	<u>-</u>
<i>Non-Legislative General Government</i>			
General Government Salaries	147,624	148,869	(1,245)
Employment Expenses	49,102	48,809	293
Employee Assistance Program	1,200	825	375
Town Attorney	8,000	3,470	4,530
Office Supplies	19,000	17,724	1,276
Office Equipment	18,500	21,783	(3,283)
Miscellaneous	7,400	2,672	4,728
Miscellaneous	182,251	561	181,690
Capital Expenditures	56,573	52,700	3,873
Property & Landscape Maintenance	19,000	14,119	4,881
Electric - Streetlights	34,000	34,712	(712)
Heat and Electricity	4,500	2,657	1,843
Telephone	15,500	13,225	2,275
Grants	26,750	26,750	-
Utility Service Allowance	1,500	1,472	28
Building Maintenance	1,500	5,218	(3,718)
Decorations	2,750	1,169	1,581
Insurance	60,000	47,516	12,484
Marketing	21,000	21,027	(27)
Publications and Membership	3,500	4,014	(514)
Planning and Development	5,000	-	5,000
Trash Contract Collection	76,275	76,064	211
Travel and Training	3,500	972	2,528
Audit & Accounting Services	8,300	8,050	250
Engineering Services	6,000	6,000	-
Fire Department	7,200	8,000	(800)
South Main Street Sidewalk	-	24,917	(24,917)
Total Non-Legislative General Government	<u>785,925</u>	<u>593,295</u>	<u>192,630</u>
Total General Government Administration	<u>\$ 787,225</u>	<u>\$ 594,595</u>	<u>\$ 192,630</u>
<u>Public Safety Expenditures</u>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	219,240	218,628	612
Employment Expenses	83,308	78,376	4,932
Equipment and Uniforms	16,252	7,789	8,463
Travel and Training	4,350	1,575	2,775
Vehicles - Fuel	12,825	15,801	(2,976)
Vehicles - Maintenance	6,800	4,471	2,329
Miscellaneous	4,100	1,754	2,346
Rent	3,900	3,946	(46)
Supplies	2,740	3,097	(357)
Attorney Fees	2,955	2,504	451
Grant Expenditures	2,006	-	2,006
Total Public Safety Expenditures	<u>\$ 358,476</u>	<u>\$ 337,941</u>	<u>\$ 20,535</u>

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
Governmental Funds  
Modified Accrual Basis  
For the Year Ended June 30, 2012

	General Fund		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<u>Public Works Expenditures</u>			
<i>Utilities</i>			
Salaries	\$ 366,303	\$ 345,553	\$ 20,750
Employment Expenses	136,480	132,781	3,699
Benefits-Contra Capital Projects	-	(76,759)	76,759
Heat and Electricity	4,000	3,105	895
Vehicles - Repair	4,240	1,707	2,533
Uniforms	4,500	2,955	1,545
Building Maintenance	2,000	1,066	934
Equipment Maintenance	12,000	7,831	4,169
Training and Education	6,000	5,914	86
Miscellaneous	5,290	4,849	441
Vehicles - Fuel	19,000	16,188	2,812
<i>Total Public Works Expenditures</i>	<u>559,813</u>	<u>445,190</u>	<u>114,623</u>
 <i>Total Expenditures</i>	 <u>1,705,514</u>	 <u>1,377,726</u>	 <u>327,788</u>
 <i>Excess of revenues over expenditures</i>	 <u>-</u>	 <u>450,023</u>	 <u>(205,553)</u>
 <u>Other financing sources (uses)</u>			
Transfers out	-	-	-
 <i>Total other financing sources (uses)</i>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Change in Fund Balance		 \$ 450,023	
Fund Balance-Beginning		758,099	
Fund Balance-Ending		<u>\$ 1,208,122</u>	

See accompanying notes to the financial statements





Town of Amherst, Virginia  
Required Supplemental Information  
As of June 30, 2012

**Statement of Treasurer's Accountability**

**Assets Held By Treasurer**

	<b>All Funds</b>
<b>Cash</b>	
Cash on Hand	\$ 400
Wachovia Bank	-
BB & T	3,329
Bank of the James	301,777
Carter Bank & Trust	298,705
First National Bank of Altavista	6,187
Suntrust	-
<i>Total Cash</i>	610,398
<b>Certificates of Deposit</b>	
Carter Bank & Trust	1,800,000
<i>Total Certificates of Deposit</i>	1,800,000
<b>Total Assets Held By Treasurer</b>	\$ 2,410,398

**Liabilities Held By Treasurer**

<b>Cash Allocated to Funds</b>	
General Fund	1,184,631
Capital Projects Fund	-
Sewer Fund	428,340
Water Fund	797,427
<i>Total Cash Allocated to Funds</i>	2,410,398
<b>Total Liabilities Held by Treasurer</b>	\$ 2,410,398

**Computation of Legal Debt Margin**

Net Assessed Debt Value	\$ 177,532,100
Debt Limit Percentage	10%
Debt Limit Calculated	17,753,210
Total Long-Term Debt	4,723,271
<i>Legal Margin for Creation of Additional Debt</i>	13,029,939

**Schedule of Funding Progress for Defined Pension Benefit Plan**

	June 30, 2011	June 30, 2010	June 30, 2009
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 2,736,681	\$ 2,676,134	\$ 2,661,137
Actuarial Accrued Liability	3,585,579	3,265,376	3,054,568
Unfunded Actuarial Accrued Liability (UAAL)	(848,898)	(589,242)	(403,431)
<i>Funded Ratio</i>	76%	82%	87%
Annual Covered Payroll	669,320	650,018	686,043
<i>UAAL as a Percent of Payroll</i>	126.8%	90.7%	58.8%

**Schedule of Funding Progress for Other Post Employment Benefits**

	June 30, 2010
Actuarial Valuation Date	
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability	108,000
Unfunded Actuarial Accrued Liability (UAAL)	(108,000)
<i>Funded Ratio</i>	0%
Annual Covered Payroll	677,900
<i>UAAL as a Percent of Payroll</i>	15.9%

See accompanying notes to the financial statements





Town of Amherst, Virginia  
 Required Supplemental Information  
 For the Year Ended June 30, 2012

	FYE June 30, 2012	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004	FYE June 30, 2003
<b>Property Tax Levies and Collections</b>										
Total Tax Levy	\$ 114,714	\$ 110,614	\$ 110,568	\$ 110,754	\$ 108,934	\$ 104,209	\$ 103,239	\$ 97,126	\$ 97,574	\$ 108,090
Total Tax Collection	113,701	110,389	111,148	109,364	109,879	109,200	114,826	98,300	98,206	110,863
Percent of Tax Collection to Tax Levy	99.12%	99.80%	100.43%	98.74%	99.85%	104.78%	111.22%	101.21%	100.65%	102.66%
Outstanding Delinquent Taxes	22,115	26,494	28,561	34,728	27,134	19,704	9,861	-	17,517	17,517
Percent of Delinquent Taxes to Tax Levy	19.26%	25.76%	25.83%	31.36%	24.91%	18.91%	9.56%	0.00%	17.95%	16.21%
<b>Assessed Value of Taxable Property</b>										
Real Estate	177,532,100	177,532,100	177,002,600	177,151,700	118,101,000	117,635,400	114,767,600	\$ 114,030,200	\$ 118,011,200	\$ 117,051,600
Personal Property	14,056,760	12,747,503	12,713,910	12,828,564	12,404,595	13,060,155	12,131,747	10,425,000	11,372,572	11,652,740
Public Utility	6,787,165	6,438,670	6,935,129	6,815,354	4,180,032	4,736,689	4,736,689	4,755,959	5,608,023	6,049,773
<b>Total Assessed Value</b>	<b>\$ 198,376,025</b>	<b>\$ 196,718,273</b>	<b>\$ 196,651,639</b>	<b>\$ 186,805,618</b>	<b>\$ 134,685,627</b>	<b>\$ 135,332,244</b>	<b>\$ 131,635,036</b>	<b>\$ 129,211,159</b>	<b>\$ 134,991,795</b>	<b>\$ 134,754,113</b>
<b>Property Tax Rates (per \$100 of Assessed Value)</b>										
Real Estate	3.6%	3.6%	3.6%	3.6%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Personal Property	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

Prior to June 30, 2005 the information in this supplemental schedule was audited by others.

