

**Town of  
Amherst, Virginia**

**Comprehensive Annual  
Financial Report**

**For the year ended June 30, 2007**

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

Town of Amherst, Virginia  
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# TOWN OF AMHERST

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September 27, 2007

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

Re: FY07 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 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, 2007. 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.

## **Service Programs**

All in all, FY07 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.
- *Utilities* – Amherst operates municipal water treatment and distribution, sewer collection and treatment, and refuse collection services. No Town customer suffered from a lack of potable water in FY07. 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 wastes.
- *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.

- *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 due to the October 2005 opening of the Madison Heights Bypass, an interstate-quality, limited access highway between Amherst and the City of Lynchburg.
- *Community Center* – The Town Hall acts as an 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 local 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 to not be totally dependent on one industry or employer.

Amherst had \$2,443,755 in the bank as of June 30, 2007. This amount approximates the total of the Town's annual operating expenditures and is quite a healthy reserve. A cash management program which was intended to maximize and stabilize the benefit of this situation was implemented during FY06 and has proven to be a wise move.

### **Problem Areas**

The Town's revenue sources remain relatively static. This is due to the sluggish economy and the fact that most utility rates are on a per-month-per-customer or per-gallon rate basis, and moderate growth in that Amherst did not see a significant change in numbers of new users or higher volumes consumed during FY07. Since there are few areas to "cut", utility rates will need to be raised to fund needed system improvements if not just to keep pace with inflation.

During FY07 the Town realized good results from recently improved collections practices in the restaurant, lodging, bank capital stock and business tax sections of the Town's revenue stream.

Amherst continues to pursue large projects that are significant when compared to its relatively small

size. The Brockman Park project, which in this context includes the closely associated sewer plant upgrade/expansion and planned Union Hill water tank projects, encompasses infrastructure worth over \$8,000,000. This equates to over \$3,500 for every one of Amherst's 2,251 residents. These endeavors and other ongoing work have strained Amherst's coffers as well as its personnel resources but once completed will provide an excellent base to work from for the foreseeable future.

Continuing to prepare for the impact of VDOT's Madison Heights Bypass project is the single most important issue of this decade. Virtually all of Amherst's major initiatives over the past few years have been spurred along in anticipation of the growth in and near the Town that it is expected to cause.

### **Opportunities**

Along with the above-noted series of problems and issues facing Amherst comes opportunities.

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 adequate cash reserves and over \$2,500,000 in real estate "for sale" in Brockman Park.

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.

It should be noted that 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 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 near future.

### **Projects**

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 basic infrastructure for each lot has been completed.
- *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.
- *Union Hill Water Tank* – The Town has procured a site, extended water mains to it, and completed the engineering for a new 1,000,000 gallon water tank on Union Hill east of the Town's corporate limits in response to a lack of sufficient tankage which is the Town water system's limiting factor. This facility is expected to be needed to support the future occupants of Brockman Park and the growth of the community. Construction on this project should be well underway by the end of FY 08.
- *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. A new initiative is to study 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.

- *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 planned new sidewalks in support of this initiative. "Enhancement Grant" funding for a sidewalk along S. Main Street was approved in FY05. Planning is underway to outline the Town's program to support the Ambriar area from an integrated land use, transportation and utility development standpoint.

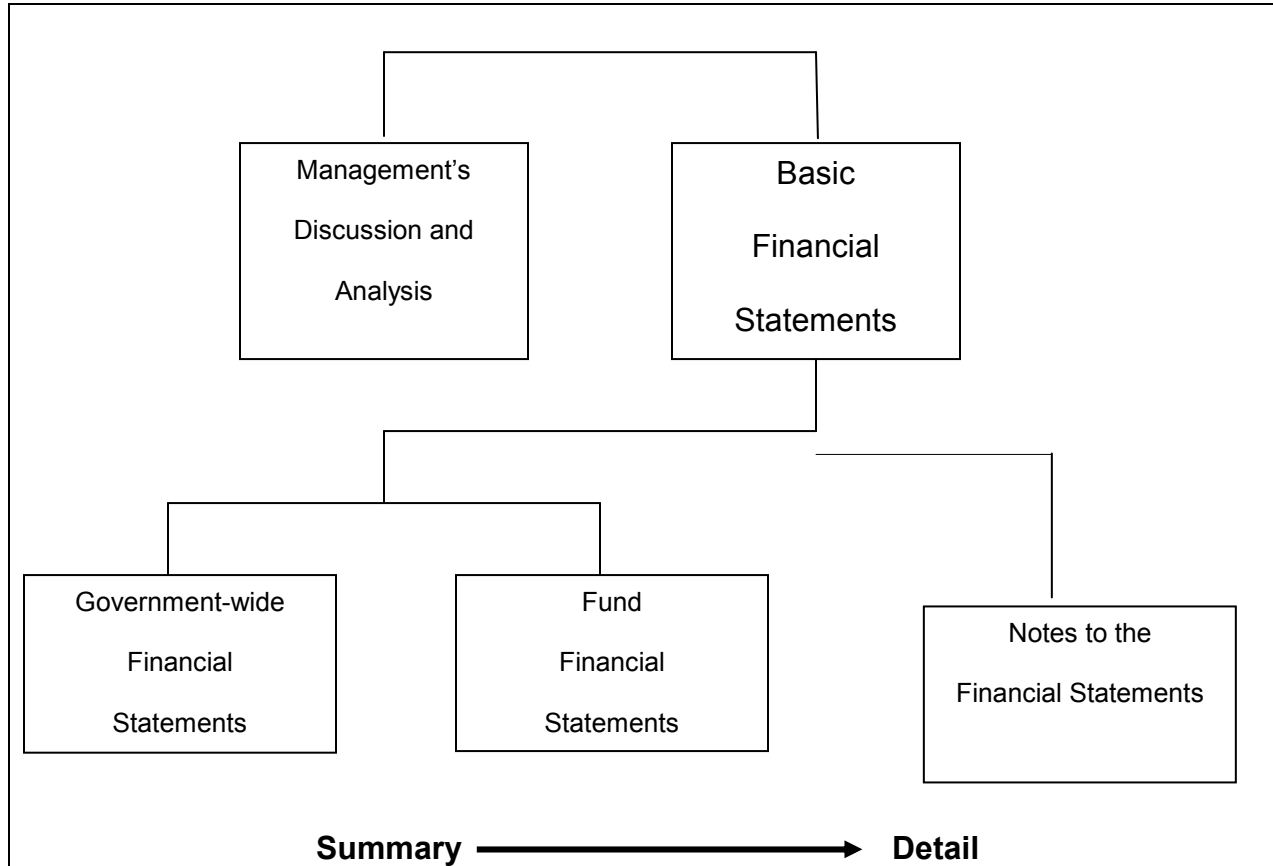
### **Financial Statements and Their Relationship to One Another**

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 Fund for the purpose of segregating cash being built up and earmarked for 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, 2007.
- *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, 2006 to June 30, 2007.
- *Income Statements* – An income statement is also known as a "Statement of Revenues, Expenditures, and Changes in Fund Balance". The income statements are largely based 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 to a full understanding of the data provided in the government-wide and fund financial statements.

**Figure 1: Components of Comprehensive Annual Financial Report**



### **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 complied with 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, charges to appropriations, and ending balances; and the difference or variance between the final budget and the actual resources and charges. Readers will note that the budget is prepared on a cash flow basis; the audited “actual” figures are presented on an accrual basis.

During FY07, actual revenues and expenses were by in large as budgeted with no significant unexplained deviations noted. Quite a bit of detail on the Town’s finances is contained in the FY07 audit report in the language of attorneys, bankers and accountants. Highlights include:

- The assets of the Town of Amherst exceeded its liabilities (net assets) at the close of the fiscal year by \$6,787,387.
- The Town's total net assets increased by \$427,482, primarily due to revenues being higher than anticipated, expenses being lower than anticipated, and the recognition of a significant portion of the USDA sewer plant grant during FY07.
- As of the close of the current fiscal year, the amount of Town cash in the bank was \$2,443,755. Cash above immediate needs is invested in a rolling "bank" certificate of deposit purchase program, but no Town monies have been invested for a term to exceed one year.
- The Town's total debt decreased from \$5,181,146 to \$ 5,022,813 for a net decrease of \$379,237 during FY07.

**Capital Asset and Debt Administration**

The completion of the water plant fluoride system improvements, the replacement of the 60 East sewer pump station replacement and significant work to repair the sewer collection systems on Whitehead Drive, Maple Lane, Pine Street and Ridge Drive were the major capital asset booked during FY07. No major deletions due to demolitions, write-downs or other reasons were recorded this year.

As of June 30, 2007, the Town of Amherst had a total bonded debt of \$5,022,813. All of this is backed by the full faith and credit of the Town of Amherst in the form of general obligation bonds.

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, 2007, the remaining value in this "Brockman Park Recoupment Fund" was \$2,453,444.

Large fractions of Amherst's financial activity are due to amounts spent on pay and benefits for personnel as well as monies required for debt repayment. Figure 2 is presented as a June 30, 2007 summary report on the status of the Town's indebtedness:

**Figure 2: Outstanding Indebtedness**

<b>Purpose for Loan</b>	<b>Bond Date</b>	<b>Original Amount</b>	<b>Balance 6/30/07</b>	<b>Annualized Payment</b>	<b>Estimated Payoff Date</b>
Water Plant	08/08/1995	\$2,000,000	\$ 1,474,390	\$ 110,160	January, 2028
Brockman Park	02/24/2003	927,000	\$ 486,053	\$ 100,345	October 2012
Sewer Plant	09/12/2005	3,120,973	<u>\$ 3,062,370</u>	<u>\$ 159,552</u>	August 2045
Total			\$ 5,022,813	\$ 370,057	

The Town's legal debt limit is \$13,533,224. Subtracting current long-term debt totaling \$5,022,813, the Town has an unused loan capacity of \$8,674,819. New debt in the first half of FY08 will be restricted due to the loss of \$8,000,000 of the Town's \$10,000,000 federal tax-exempt small issuer limit resulting from a recent Centra Health/IDA refinancing. However, borrowing to support the



Union Hill Water Tank Project (\$1,230,000) is underway.

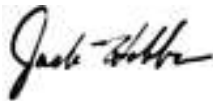
The Town of Amherst does not participate in any bond rating programs.

In summary, the Town of Amherst was in a better fiscal position as of June 30, 2007 than it was on June 30, 2006. The general state of the Town of Amherst's finances is between good and great and the prospects for our community are 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,

A handwritten signature in black ink that reads "Jack Hobbs". The signature is written in a cursive style with a large initial "J".

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 Comprehensive Annual Financial Report of the Town of Amherst as of and for the year ended June 30, 2007. 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 generally accepted auditing standards and 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Amherst at June 30, 2007, and the results of its operations and cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining account financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Town of Amherst at June 30, 2007, and the results of operations of such funds and cash flows of individual proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole and on the combining account financial statements. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Amherst. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2007, on our consideration of the Town of Amherst's internal controls over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Davidson, Daryl & Hillman, LLP*

Lynchburg, Virginia  
September 27, 2007

Town of Amherst, Virginia  
 Combined Balance Sheet  
 Statement of Net Assets  
 As of June 30, 2007

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 2,306,010	\$ 187,613	\$ 2,493,623
Net Taxes Receivable	19,188	-	19,188
Net Other Accounts Receivable	18,004	-	18,004
Net Enterprise Accounts Receivable	-	173,277	173,277
Grants Receivable	-	21,013	21,013
Due from other funds	43,200	-	43,200
Prepaid Expenses	9,606	-	9,606
Inventory	-	93,053	93,053
<i>Total Current Assets</i>	2,396,008	474,956	2,870,964
Net Fixed Assets	1,290,672	7,845,511	9,136,183
<i>Total Long-Term Assets</i>	1,290,672	7,845,511	9,136,183
<b>Total Assets</b>	\$ 3,686,680	\$ 8,320,467	\$ 12,007,147
<b><u>Liabilities</u></b>			
Accounts Payable	\$ -	\$ 2,577	\$ 2,577
Accrued Liabilities	117,492	-	117,492
Uncompensated absences	33,678	-	33,678
Due to other funds	-	43,200	43,200
Current Portion of Notes Payable	85,819	78,589	164,408
<i>Total Current Liabilities</i>	236,989	124,366	361,355
Long-Term Portion of Notes Payable	400,234	4,458,171	4,858,405
<i>Total Long-Term Liabilities</i>	400,234	4,458,171	4,858,405
<b>Total Liabilities</b>	637,223	4,582,537	5,219,760
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	-	3,308,751	3,308,751
Unrestricted net assets	3,049,457	429,179	3,478,636
<i>Total Net Assets</i>	3,049,457	3,737,930	6,787,387
<b>Total Liabilities and Net Assets</b>	\$ 3,686,680	\$ 8,320,467	\$ 12,007,147

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Statement of Activities  
For the year ending June 30, 2007

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

	Program Revenues				Primary Government		
	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	\$ 560,297	\$ 1,562,485	\$ -	\$ -	\$ 1,002,188	\$ -	\$ 1,002,188
Public Safety	321,085	-	87,284	-	(233,801)	-	(233,801)
Public Works	482,403	-	-	-	(482,403)	-	(482,403)
<b>Total governmental activities</b>	<b>\$ 1,363,785</b>	<b>\$ 1,562,485</b>	<b>\$ 87,284</b>	<b>\$ -</b>	<b>\$ 285,984</b>	<b>\$ -</b>	<b>\$ 285,984</b>
Business type activities							
Water & Sewer	1,379,627	1,521,125	-	-	-	141,498	141,498
<b>Total Primary government</b>	<b>\$ 1,379,627</b>	<b>\$ 1,521,125</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285,984</b>	<b>\$ 141,498</b>	<b>\$ 427,482</b>
General revenues:							
General property taxes					125,692	-	125,692
Other local taxes					637,235	-	637,235
Unrestricted revenues from use of money and property					151,354	-	151,354
Permits and Privilege Fees					28,090	-	28,090
Fines and Forfeitures					14,041	-	14,041
Intergovernmental revenues					106,093	-	106,093
Miscellaneous					587,264	-	587,264
<b>Total General Revenues</b>					<b>1,649,769</b>	<b>-</b>	<b>1,649,769</b>
Change in net assets					\$ 285,984	\$ 141,498	\$ 427,482
Net assets-beginning					2,763,473	3,596,432	6,359,905
Net assets-ending					<b>\$ 3,049,457</b>	<b>\$ 3,737,930</b>	<b>\$ 6,787,387</b>

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Balance Sheet  
Governmental Funds  
As of June 30, 2007

		<u>Governmental Activities</u>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$	2,256,142
Net Taxes Receivable		19,188
Net Other Accounts Receivable		18,004
Due From Other Funds		43,200
Prepaid Expenses		9,606
<i>Total Current Assets</i>		<u>2,346,140</u>
<b><i>Total Assets</i></b>	<b>\$</b>	<b><u><u>2,346,140</u></u></b>
<b><u>Liabilities</u></b>		
Accrued Liabilities		117,492
Deferred Revenue		19,704
<i>Total Current Liabilities</i>		<u>137,196</u>
<b><i>Total Liabilities</i></b>		<u>137,196</u>
<b><u>Fund Equity</u></b>		
Fund Balance - Unappropriated		<u>2,208,944</u>
<i>Total Fund Equity</i>		<u>2,208,944</u>
<b><i>Total Liabilities and Fund Equity</i></b>	<b>\$</b>	<b><u><u>2,346,140</u></u></b>

See accompanying notes to the financial statements

Town of Amherst  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2007

**Revenues**

**General Property Taxes**

Real Property Taxes	\$ 65,534
Personal Property Taxes	25,619
Personal Property Tax Relief	18,047
Penalties	6,679
<i>Total General Property Taxes</i>	<u>115,879</u>

**Other Local Taxes**

Meals	198,042
Lodging	4,602
Consumer Utility Taxes	125,023
Local Sales and Use Taxes	132,240
Business License Taxes	106,672
Motor Vehicle Licenses	38,801
Bank Stock Taxes	31,855
<i>Total Other Local Taxes</i>	<u>637,235</u>

**Permits and Privilege Fees**

Parking Meter Revenue	1,697
Communications Lease	6,450
Cable Television Privilege Fee	19,943
<i>Total Permits and Privilege Fees</i>	<u>28,090</u>

**Fines and Forfeitures**

Fines	14,041
<i>Total Fines and Forfeitures</i>	<u>14,041</u>

**Revenue from Use of Money and Property**

Interest Earned	101,486
<i>Total Revenue from Use of Money and Property</i>	<u>101,486</u>

**Miscellaneous Revenue**

Trash Curbside	83,255
Miscellaneous	4,009
Administrative Fees from Enterprise Funds	500,000
<i>Total Miscellaneous Revenues</i>	<u>587,264</u>

**Intergovernmental Revenues**

*Non-Categorical Aid From the Commonwealth*

ABC Profits	2,703
Economic Development Recoupment Fee	14,142
Economic Development Grant	-
Rolling Stock	1,964

*Categorical Aid From the Commonwealth*

Law Enforcement	6,673
Streetscape	-
Downtown Revitalization Grant	9,599
Virginia State Police Grant	63,012
Fire Grant	8,000
<i>Total Intergovernmental Revenues</i>	<u>106,093</u>

**Total Revenues** **\$ 1,590,088**

Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2007

**Expenditures**

General Government Administration

*Legislative*

Total Mayor and Town Council	\$ 1,300
<i>Total Legislative</i>	1,300

*Non-Legislative General Government*

General Government Salaries	122,533
Employment Expenses	36,919
Employee Assistance Program	1,150
Town Attorney	5,127
Office Supplies	20,406
Office Equipment	7,768
Miscellaneous	33,434
Capital Expenditures	125,964
Property & Landscape Maintenance	15,075
Electric - Streetlights	18,844
Heat and Electricity	4,706
Telephone	14,842
Grants	26,000
Utility Service Allowance	1,013
Building Maintenance	714
Decorations	1,748
Insurance	57,879
Principal payments	83,079
Interest	17,267
Marketing	5,148
Publications and Membership	2,521
Planning and Development	11,032
Trash Contract Collection	64,872
Travel and Training	3,190
Audit & Accounting Services	7,000
Engineering Services	6,050
Downtown Revitalization	9,599
Fire Department	8,000
<i>Total Non-Legislative General Government</i>	711,880

*Total General Government Administration*      \$ 713,180

Public Safety Expenditures

*Law Enforcement and Traffic Control*

Public Safety Salaries	208,783
Employment Expenses	66,594
Equipment and Uniforms	6,340
Travel and Training	3,741
Vehicles - Fuel	9,486
Vehicles - Maintenance	3,950
Miscellaneous	331
Rent	3,271
Supplies	1,478
Prosecuting Attorney	1,776
Grant Expenditures	4,516
<i>Total Public Safety Expenditures</i>	\$ 310,266

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2007

**Expenditures (continued)**

<u>Public Works Expenditures</u>	
<i>Line Construction and Maintenance</i>	
Salaries	\$ 185,581
Employment Expenses	59,954
Benefits-Contra Capital Projects	(75,786)
Heat and Electricity	3,029
Vehicles - Repair	5,205
Uniforms	1,459
Building Maintenance	381
Equipment Maintenance	12,167
Training and Education	2,629
Miscellaneous	563
Vehicles - Fuel	10,585
<i>Total Line Construction Maintenance</i>	205,767
 <i>Plants and Pumps</i>	
Salaries	191,146
Employment Expenses	58,839
Vehicles - Fuel	2,494
Vehicles - Maintenance	1,591
Training and Education	3,792
Uniforms	179
Safety Programs	1,188
Miscellaneous	232
<i>Total Plants and Pumps</i>	259,461
<i>Total Public Works Expenditures</i>	465,228
<b><i>Total Expenditures</i></b>	<b>1,488,674</b>
Change in Fund Balance	\$ 101,414
Fund Balance-Beginning	2,107,530
Fund Balance-Ending	<b>\$ 2,208,944</b>

See accompanying notes to the financial statements



Town of Amherst, Virginia  
Statement of Net Assets  
Proprietary Funds  
As of June 30, 2007

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Memorandum Total
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ (172,205)	\$ 359,818	\$ 187,613
Net Enterprise Accounts Receivable	92,029	81,248	173,277
Grants Receivable	-	21,013	21,013
Due From Other Funds	-	202,123	202,123
Inventory	85,217	7,836	93,053
<i>Total Current Assets</i>	5,041	672,038	677,079
Net Fixed Assets	3,472,386	4,373,125	7,845,511
<i>Total Long Term Assets</i>	3,472,386	4,373,125	7,845,511
<b>Total Assets</b>	\$ 3,477,427	\$ 5,045,163	\$ 8,522,590
<b><u>Liabilities</u></b>			
Accounts Payable	\$ -	\$ 2,577	\$ 2,577
Due to Other Funds	245,323	-	245,323
Current Portion of Notes Payable	44,727	33,862	78,589
<i>Total Current Liabilities</i>	290,050	36,439	326,489
Notes Payable	1,429,663	3,028,508	4,458,171
<i>Total Long Term Liabilities</i>	1,429,663	3,028,508	4,458,171
<b>Total Liabilities</b>	1,719,713	3,064,947	4,784,660
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	1,997,996	1,310,755	3,308,751
Unrestricted	(240,282)	669,461	429,179
<b>Total Net Assets</b>	1,757,714	1,980,216	3,737,930
<b>Total Liabilities and Net Assets</b>	\$ 3,477,427	\$ 5,045,163	\$ 8,522,590

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Combining Statement of Revenues, Expenses, and Changes In Fund Net Assets  
Proprietary Funds  
For the Year Ending June 30, 2007

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Total
<b><u>Operating Revenues</u></b>			
Monthly Billing	\$ 500,249	\$ 481,932	\$ 982,181
Grant-USDA	-	171,179	171,179
Sprinkler Revenue	5,005	-	5,005
Hauled Waste Revenue	-	38,984	38,984
Penalties	3,581	3,580	7,161
Water Service Revenue	27,675	-	27,675
Debt Service Revenue	120,864	-	120,864
Miscellaneous Revenue	1,015	-	1,015
Availability Fees	52,500	17,500	70,000
Maintenance and Construction Revenue	6,554	536	7,090
Rutledge Creek Operations	-	31,278	31,278
Grant Revenue	52,900	-	52,900
Pretreatment Revenue	-	5,793	5,793
<b><i>Total Operating Revenues</i></b>	<b>\$ 770,343</b>	<b>\$ 750,782</b>	<b>\$ 1,521,125</b>
<b><u>Operating Expenses</u></b>			
Administrative Fees	\$ 240,000	\$ 260,000	\$ 500,000
Line Materials	34,073	37,763	71,836
Pump Stations Operations	1,601	10,190	11,791
Electricity	28,483	35,652	64,135
Water & Sewer Service	58,088	4,404	62,492
Maintenance	17,025	26,385	43,410
Chemicals	31,088	11,201	42,289
Water Sampling	2,784	-	2,784
Laboratory	6,204	10,844	17,048
Miscellaneous	-	11,623	11,623
Watershed management	17,567	-	17,567
Nutrient Report Expense	-	-	-
Bad debt expense	-	-	-
Interest Expense	67,401	127,058	194,459
Depreciation Expense	152,296	187,897	340,193
<b><i>Total Operating Expenses</i></b>	<b>\$ 656,610</b>	<b>\$ 723,017</b>	<b>\$ 1,379,627</b>
<i>Operating income</i>	\$ 113,733	\$ 27,765	\$ 141,498
<b><u>Non-operating revenues (expenses)</u></b>			
Interest Income	-	-	-
Interest Expense	-	-	-
<b><i>Total non-operating Revenues/Expenses</i></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><i>Change in Net Assets</i></b>	<b>113,733</b>	<b>27,765</b>	<b>141,498</b>
Net Assets-Beginning	1,643,981	1,952,451	3,596,432
<b><i>Net Assets-Ending</i></b>	<b>\$ 1,757,714</b>	<b>\$ 1,980,216</b>	<b>\$ 3,737,930</b>

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2007

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Memorandum Total Only
<b>Cash flows from operating activities</b>			
Change in unrestricted net assets	\$ 113,733	\$ 27,765	\$ 141,498
Adjustments to reconcile change in unrestricted net assets			
Depreciation and Amortization	152,296	187,897	340,193
Decrease/(Increase) in accounts receivable	7,816	11,090	18,906
Decrease/(Increase) in grants receivable	-	(21,013)	(21,013)
Decrease/(Increase) in due from other fund	-	69,444	69,444
Decrease/(Increase) in inventory	(252)	-	(252)
(Decrease)/Increase in accounts payable	(23,899)	2,577	(21,322)
(Decrease)/Increase in cash overdraft	-	-	-
(Decrease)/Increase in due to other fund	6,342	-	6,342
Net Cash provided by operating activities	<u>256,036</u>	<u>277,760</u>	<u>533,796</u>
<b>Cash flows from Investing Activities</b>			
Acquisition of Fixed Assets	(96,467)	(293,517)	(389,984)
Net Cash used in investing activities	<u>(96,467)</u>	<u>(293,517)</u>	<u>(389,984)</u>
<b>Cash flows from Financing Activities</b>			
Principal Payments of Long-term debt	(42,759)	(32,494)	(75,253)
Net Cash used in financing activities	<u>(42,759)</u>	<u>(32,494)</u>	<u>(75,253)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	116,810	(48,251)	68,559
<b>Cash &amp; Cash Equivalents, beginning of year</b>	<u>(289,015)</u>	<u>408,069</u>	<u>119,054</u>
<b>Cash &amp; Cash Equivalents, end of year</b>	<u>\$ (172,205)</u>	<u>\$ 359,818</u>	<u>\$ 187,613</u>

See accompanying notes to the financial statements

**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

## Town of Amherst, Virginia

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

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 Comprehensive Annual Financial Report of the Town of Amherst as of and for the year ended June 30, 2007, and have issued my report thereon dated September 27, 2007. We conducted our audit in accordance with generally accepted auditing standards 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.

#### Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Town's general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Davidson, Doyle & Hutton, LLP*  
Lynchburg, Virginia  
September 27, 2007

Town of Amherst  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
Governmental Funds  
For the Year Ended June 30, 2007

<b>General Fund</b>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
<u>General Property Taxes</u>			
Real Property Taxes	\$ 62,000	\$ 65,534	\$ 3,534
Personal Property Taxes	21,000	25,619	4,619
Personal Property Tax Relief	17,456	18,047	591
Penalties	1,850	6,679	4,829
<i>Total General Property Taxes</i>	<u>102,306</u>	<u>115,879</u>	<u>13,573</u>
<u>Other Local Taxes</u>			
Meals	158,000	198,042	40,042
Lodging	3,900	4,602	702
Consumer Utility Taxes	133,400	125,023	(8,377)
Local Sales and Use Taxes	115,000	132,240	17,240
Business License Taxes	96,000	106,672	10,672
Motor Vehicle Licenses	44,000	38,801	(5,199)
Bank Stock Taxes	45,000	31,855	(13,145)
<i>Total Other Local Taxes</i>	<u>595,300</u>	<u>637,235</u>	<u>41,935</u>
<u>Permits and Privilege Fees</u>			
Parking Meter Revenue	1,450	1,697	247
Communications Lease	6,000	6,450	450
Cable Television Privilege Fee	18,761	19,943	1,182
<i>Total Permits and Privilege Fees</i>	<u>26,211</u>	<u>28,090</u>	<u>1,879</u>
<u>Fines and Forfeitures</u>			
Fines	16,000	14,041	(1,959)
<i>Total Fines and Forfeitures</i>	<u>16,000</u>	<u>14,041</u>	<u>(1,959)</u>
<u>Revenue from Use of Money and Property</u>			
Interest Earned	80,000	101,486	21,486
<i>Total Revenue from Use of Money and Property</i>	<u>80,000</u>	<u>101,486</u>	<u>21,486</u>
<u>Miscellaneous Revenue</u>			
Trash Curbside	78,794	83,255	4,461
Miscellaneous	5,500	4,009	(1,491)
Administrative Fees from Enterprise Funds	500,000	500,000	-
<i>Total Miscellaneous Revenues</i>	<u>584,294</u>	<u>587,264</u>	<u>2,970</u>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
ABC Profits	2,703	2,703	-
Economic Development Recoupment Fee	15,529	14,142	(1,387)
Economic Development Grant	-	-	-
Rolling Stock	2,104	1,964	(140)
<i>Categorical Aid From the Commonwealth</i>			
Law Enforcement	7,000	6,673	(327)
Streetscape	-	-	-
Downtown Revitalization Grant	30,000	9,599	(20,401)
Virginia State Police Grant	63,010	63,012	2
Fire Grant	6,000	8,000	2,000
<i>Total Intergovernmental Revenues</i>	<u>126,346</u>	<u>106,093</u>	<u>(20,253)</u>
<b>Total Revenues</b>	<b><u>\$ 1,530,457</u></b>	<b><u>\$ 1,590,088</u></b>	<b><u>\$ 59,631</u></b>

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
Governmental Funds  
For the Year Ended June 30, 2007

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
<b><u>Expenditures</u></b>			
<b><u>General Government Administration</u></b>			
<i>Legislative</i>			
Total Mayor and Town Council	\$ 1,300	\$ 1,300	\$ -
<i>Total Legislative</i>	<u>1,300</u>	<u>1,300</u>	<u>-</u>
<i>Non-Legislative General Government</i>			
General Government Salaries	131,248	122,533	8,715
Employment Expenses	39,432	36,919	2,513
Employee Assistance Program	1,000	1,150	(150)
Town Attorney	10,000	5,127	4,873
Office Supplies	18,000	20,406	(2,406)
Office Equipment	12,000	7,768	4,232
Miscellaneous	26,173	33,434	(7,261)
Depreciation	11,886	50,476	(38,590)
Property & Landscape Maintenance	17,400	15,075	2,325
Electric - Streetlights	20,000	18,844	1,156
Heat and Electricity	4,800	4,706	94
Telephone	14,500	14,842	(342)
Grants	26,000	26,000	-
Utility Service Allowance	1,000	1,013	(13)
Building Maintenance	1,500	714	786
Decorations	2,000	1,748	252
Insurance	59,184	57,879	1,305
Interest	100,347	17,267	83,080
Marketing	5,000	5,148	(148)
Publications and Membership	3,500	2,521	979
Planning and Development	26,000	11,032	14,968
Trash Contract Collection	64,485	64,872	(387)
Travel and Training	3,500	3,190	310
Audit & Accounting Services	7,000	7,000	-
Engineering Services	6,000	6,050	(50)
Downtown Revitalization	30,000	9,599	20,401
Fire Department	6,000	8,000	(2,000)
<i>Total Non-Legislative General Government</i>	<u>647,955</u>	<u>553,313</u>	<u>94,642</u>
<i>Total General Government Administration</i>	<u>\$ 649,255</u>	<u>\$ 554,613</u>	<u>\$ 94,642</u>
<b><u>Public Safety Expenditures</u></b>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	208,718	208,783	(65)
Employment Expenses	67,412	66,594	818
Equipment and Uniforms	9,110	6,340	2,770
Travel and Training	3,100	3,741	(641)
Vehicles - Fuel	12,000	9,486	2,514
Vehicles - Maintenance	4,304	3,950	354
Miscellaneous	580	331	249
Rent	3,180	3,271	(91)
Depreciation	20,541	-	20,541
Supplies	1,940	1,478	462
Prosecuting Attorney	2,983	1,776	1,207
Grant Expenditures	-	4,516	(4,516)
<i>Total Public Safety Expenditures</i>	<u>\$ 333,868</u>	<u>\$ 310,266</u>	<u>\$ 23,602</u>

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Versus Actual  
Governmental Funds  
For the Year Ended June 30, 2007

	<b>General Fund</b>		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Expenditures (continued)</b>			
<i>Public Works Expenditures</i>			
<i>Line Construction and Maintenance</i>			
Salaries	\$ 183,016	\$ 185,581	\$ (2,565)
Employment Expenses	59,568	59,954	(386)
Benefits-Contra Capital Projects	-	(75,786)	75,786
Heat and Electricity	3,000	3,029	(29)
Vehicles - Repair	3,500	5,205	(1,705)
Uniforms	1,500	1,459	41
Building Maintenance	700	381	319
Equipment Maintenance	12,000	12,167	(167)
Training and Education	1,000	2,629	(1,629)
Miscellaneous	950	563	387
Vehicles - Fuel	13,500	10,585	2,915
<i>Total Line Construction Maintenance</i>	<i>278,734</i>	<i>205,767</i>	<i>72,967</i>
 <i>Plants and Pumps</i>			
Salaries	195,273	191,146	4,127
Employment Expenses	60,429	58,839	1,590
Vehicles - Fuel	4,500	2,494	2,006
Vehicles - Maintenance	1,200	1,591	(391)
Training and Education	4,000	3,792	208
Uniforms	1,200	179	1,021
Safety Programs	1,500	1,188	312
Miscellaneous	500	232	268
<i>Total Plants and Pumps</i>	<i>268,602</i>	<i>259,461</i>	<i>9,141</i>
<i>Total Public Works Expenditures</i>	<i>547,336</i>	<i>465,228</i>	<i>82,108</i>
<b>Total Expenditures</b>	<b>1,530,459</b>	<b>1,330,107</b>	<b>200,352</b>
Change in Fund Balance		\$ 259,981	
Fund Balance-Beginning		2,107,530	
Fund Balance-Ending		<b>\$ 2,367,511</b>	

See accompanying notes to the financial statements



Town of Amherst, Virginia  
Supplemental Information  
As of June 30, 2007

**Statement of Treasurer's Accountability**

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 400
Wachovia Bank	93,099
BB & T	60,064
Bank of the James	5,057
Central National Bank	661,337
Suntrust - Money Fund	23,913
<i>Total Cash</i>	<u>843,870</u>
<u>Certificates of Deposit</u>	
BB & T	799,885
Bank of the James	400,000
Central National Bank	400,000
<i>Total Certificates of Deposit</i>	<u>1,599,885</u>
<b>Total Assets Held By Treasurer</b>	<b><u>\$ 2,443,755</u></b>

**Liabilities Held By Treasurer**

<u>Cash Allocated to Funds</u>	
General Fund	\$ (1,280,581)
Capital Projects Fund	(975,561)
Sewer Fund	(359,818)
Water Fund	172,205
<i>Total Cash Allocated to Funds</i>	<u>(2,443,755)</u>
<b>Total Liabilities Held by Treasurer</b>	<b><u>\$ (2,443,755)</u></b>

**Computation of Legal Debt Margin**

Net Assessed Debt Value	\$ 135,332,244
Debt Limit Percentage	<u>10%</u>
Debt Limit Calculated	13,533,224
Total Long-Term Debt	4,858,405
<i>Legal Margin for Creation of Additional Debt</i>	8,674,819

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

Actuarial Valuation Date	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Actuarial Value of Assets	\$ 2,124,548	\$ 1,960,771
Actuarial Accrued Liability	<u>2,153,338</u>	<u>2,253,217</u>
Unfunded Actuarial Accrued Liability (UAAL)	(28,790)	(292,446)
<i>Funded Ratio</i>	99%	87%
Annual Covered Payroll	647,699	586,056
<i>UAAL as a Percent of Payroll</i>	4.4%	49.9%

See accompanying notes to the financial statements

Town of Amherst, Virginia  
Supplemental Information  
For the Year Ended June 30, 2006

	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004	FYE June 30, 2003	FYE June 30, 2002	FYE June 30, 2001	FYE June 30, 2000	FYE June 30, 1999	FYE June 30, 1998
<b>Property Tax Levies and Collections</b>										
Total Tax Levy	\$ 104,209	\$ 103,239	\$ 97,126	\$ 97,574	\$ 108,090	\$ 99,841	\$ 99,841	\$ 93,912	\$ 100,190	\$ 93,264
Total Tax Collection	\$ 109,200	\$ 114,826	98,300	98,208	110,963	110,963	110,963	97,130	98,102	92,166
Percent of Tax Collection to Tax Levy	104.79%	111.22%	101.21%	100.65%	102.66%	111.14%	111.14%	103.43%	97.92%	98.82%
Outstanding Delinquent Taxes	19,704	9,891	-	17,517	17,517	17,518	17,518	18,270	19,623	2,155
Percent of Delinquent Taxes to Tax Levy	18.91%	9.58%	0.00%	17.95%	16.21%	17.55%	17.55%	19.45%	19.59%	2.31%
<b>Assessed Value of Taxable Property</b>										
Real Estate	117,535,400	114,767,600	\$ 114,030,200	\$ 118,011,200	\$ 117,051,600	\$ 86,255,600	\$ 86,255,600	\$ 82,245,600	\$ 82,263,100	\$ 80,681,700
Personal Property	13,060,155	12,131,747	10,425,000	11,372,572	11,652,740	11,372,572	10,537,053	10,623,905	9,906,541	8,904,029
Public Utility	4,736,689	4,736,689	4,755,969	5,608,023	6,049,773	6,607,947	6,607,947	6,093,135	6,429,218	6,142,568
<b>Total</b>	<b>\$ 135,332,244</b>	<b>\$ 131,636,036</b>	<b>\$ 129,211,169</b>	<b>\$ 134,991,795</b>	<b>\$ 134,754,113</b>	<b>\$ 104,236,119</b>	<b>\$ 103,400,600</b>	<b>\$ 98,962,640</b>	<b>\$ 98,598,859</b>	<b>\$ 95,728,297</b>
<b>Property Tax Rates (per \$100 of Assessed Value)</b>										
Real Estate	5.4%	5.4%	5.4%	5.4%	5.4%	7%	7%	7%	7%	7%
Personal Property	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

See accompanying notes to the financial statements

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**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 components 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, 2007**

**Note 1 (continued)**

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, 2007**

**Note 1 (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 function typically are financed. 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, 2007**

**Note 1 (continued)**

2. Proprietary Funds

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

3. 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**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.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee.

**Receivables and payables**

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

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**Note 1 (continued)**

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 both June 30, 2007 and 2006, 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 is reported at cost.

**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.

**Fund Equity**

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

**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.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**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's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its safekeeping agent in the Town name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the Town name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Town's name.

**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 comp. time upon termination. The Town has \$33,678 of accrued compensated absences at June 30, 2007.



**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**Note 5 – Long-Term Debt:**

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**Water Fund**

On November 27, 1992, the Town signed a note with the United States Department of Agriculture for \$2,000,000 at 4.5% interest to finance a water system improvement program. The note is secured by a general obligation bond issued by the Town. Payments of principal and interest of \$9,180 are due monthly and began in November 1992. At June 30, 2007 the outstanding balance was \$1,474,390. Interest of \$76,581 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending	Maturities
June 30, 2008	\$ 44,727
June 30, 2009	46,782
June 30, 2010	48,931
June 30, 2011	51,179
June 30, 2012	53,531
Thereafter	1,229,240
	\$ 1,474,390

**General Fund**

On April 1, 2003, the Town issued \$927,000 General Obligation Refunding Bond Series 2003 for the purpose of refunding its \$1,000,000 Town of Amherst Economic Development General Obligation Bond Series 1998 issued for the purpose of financing the acquisition and improvement of real property in the Town for the use as an industrial park. The 2003 series bonds bear an effective interest rate of 3.25%, with monthly installments of \$8,362 starting May 1, 2003. As of June 30, 2007, the outstanding balance was \$486,053. Interest of \$17,266 was paid during the fiscal year. A schedule of maturities is as follows:

For the year ending	Maturities
June 30, 2008	\$ 85,819
June 30, 2009	88,650
June 30, 2010	91,575
June 30, 2011	94,595
June 30, 2012	97,716
Thereafter	27,698
	\$ 486,053

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

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

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**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. During to the year ending June 30, 2006, the town issued a note, 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, 2007, the outstanding balance was \$3,062,370. Interest of \$127,058 was paid during the current fiscal year. A schedule of maturities is as follows:

<u>For the year ending</u>		<u>Maturities</u>
June 30, 2008	\$	33,862
June 30, 2009		35,286
June 30, 2010		36,769
June 30, 2011		38,315
June 30, 2012		39,926
Thereafter		<u>2,878,212</u>
	\$	<u>3,062,370</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

	<u>Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u>
	<u>July 1, 2006</u>			<u>June 30, 2007</u>
Governmental activities	\$ 569,131	\$ -	\$ 83,078	\$ 486,053
Business-type activities:				
Water Fund	1,517,149	-	42,759	1,474,390
Sewer Fund	<u>3,094,864</u>	<u>-</u>	<u>32,494</u>	<u>3,062,370</u>
Total Business-type activities	<u>4,612,013</u>	<u>-</u>	<u>75,253</u>	<u>4,536,760</u>
Total	<u>\$ 5,181,144</u>	<u>\$ -</u>	<u>\$ 158,331</u>	<u>\$ 5,022,813</u>

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**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.

Employees are eligible for unreduced retirement benefits if retiring at age 65 with 5 years of service or age 55 with 30 years of service for participating employees who are not law enforcement officers. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement.

Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits.

Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions of the State Legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing the VRS, P.O. Box 2500, Richmond, VA 23218.

**Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of the member contribution. This 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, 2007 was 12.5% of annual covered payroll.

**Annual Pension Cost**

The required contribution was determined as part of the June 30, 2003 actuarial valuation using entry age normal actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increases of 3.5 – 5.6% depending upon the member's service and classification, retirement, mortality, disability and termination rates that were based upon the 2000 Experience Study prepared for VRS. The actuarial value of the Town's assets is equal to the modified market value of assets. This method was determined using 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 liability is being amortized as a level of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years or less.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**Note 7 – 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 8 – Litigation:**

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No litigation, claims or assessments that would materially affect the financial statements as a whole were pending or threatened as of June 30, 2007.

**Note 9 – 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.

**Note 10 – Capital Assets:**

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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	15-50 years
Buildings	50 years
Equipment	5-15 years

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**Note 10 – Capital Assets (continued):**

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2007 are as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Land	\$ 1,055,360	\$ -	\$ -	\$ 1,055,360
Sidewalk Project	-	13,400	-	13,400
Equipment	226,278	112,564	-	338,842
Subtotal	\$ 1,281,638	\$ 125,964	\$ -	\$ 1,407,602
Less Accumulated Depreciation	66,454	50,476	-	116,930
Net Total Capital Assets	\$ <u>1,215,184</u>	\$ <u>75,488</u>	\$ <u>-</u>	\$ <u>1,290,672</u>

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2007 are as follows:

**Proprietary Water Fund**

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Equipment	63,061	-	-	63,061
Plant and Lines	4,901,477	96,467	-	4,997,944
Subtotal	\$ 4,970,138	\$ 96,467	\$ -	\$ 5,066,605
Less Accumulated Depreciation	1,441,923	152,296	-	1,594,219
Net Total Capital Assets	\$ <u>3,528,215</u>	\$ <u>(55,829)</u>	\$ <u>-</u>	\$ <u>3,472,386</u>

**Proprietary Sewer Fund**

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Land	\$ 6,984	\$ -	\$ -	\$ 6,984
Equipment	41,692	-	-	41,692
Plant and Lines	5,433,127	293,517	-	5,726,644
Subtotal	\$ 5,481,803	\$ 293,517	\$ -	\$ 5,775,320
Less Accumulated Depreciation	1,214,298	187,897	-	1,402,195
Net Total Capital Assets	\$ <u>4,267,505</u>	\$ <u>105,620</u>	\$ <u>-</u>	\$ <u>4,373,125</u>

**Town of Amherst, Virginia  
Notes to the Financial Statements  
For the Year Ended June 30, 2007**

**Note 11 – 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-Unappropriated	\$	2,208,944
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.		1,290,672
Deferred revenue for real estate taxes		19,704
Uncompensated absence accrual		(33,678)
Certificate of deposit interest income accrual		49,868
Notes payable-both current and long-term are reported in net assets		<u>(486,053)</u>
Net assets of General Government Activities	\$	<u><u>3,049,457</u></u>

**Note 12 – Reconciliation of Budget to GAAP**

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Detailed explanation of differences between budget and GAAP:

Actual amounts (budgetary basis) for total changes to Appropriations from the Budget to Actual Comparison Schedule	\$	1,330,107
Differences – budget to GAAP:		
Depreciation expense is treated as a budgetary expenditure but is not an expenditure for financial reporting purposes		(50,476)
Capital asset expenditures are not treated as budgetary expenditures but are expenditures for financial reporting purposes		125,964
Principal payments on debt are not treated as budgetary expenditures but are expenditures for financial reporting purposes		<u>83,079</u>
Total expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	\$	<u><u>1,488,674</u></u>

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2007**

**Note 13 –Grants**

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The Town received several grants during the year. Two grants totaled \$14,623 for use in Public Safety. Additional grants for downtown revitalization, the fluoride system replacement and the water & waste system were reimbursed in the amount of \$233,677. 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.