

**Town of  
Amherst, Virginia**

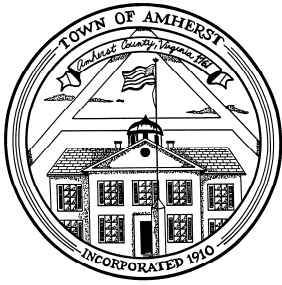
**Comprehensive Annual  
Financial Report**

**For the year ended June 30, 2009**

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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October 9, 2009

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

Re: FY09 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, 2009. 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**

FY09 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 treatment and distribution, sewer collection and treatment, and refuse collection services. No Town customer went without potable water in FY09. 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 due to the October 2005 opening of the Madison Heights Bypass, an interstate-quality, limited access highway that connects Amherst and the City of Lynchburg. The Planning Commission completed the bulk of its work on an updated comprehensive plan in FY09.
- *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-conscious 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.

Amherst had \$2,026,483 on hand as of June 30, 2009. This amount is just under the total of the Town’s annual operating expenditures and is a healthy reserve. A cash management program 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 General Fund revenue sources remain relatively static. Water and Sewer Fund revenues have declined due to the current state of the economy, the fact that most utility rates are on a per-month-per-customer or per-gallon rate basis, moderate growth in that Amherst did not see an increase in new users and lower volumes consumed during FY09. Lower consumption is probably a result of some combination of the general economic slowdown, habits developed during recent drought events, the installation of “energy efficient” low-flow plumbing devices and dramatic drops in use by local industrial operations. Since there are few areas to “cut”, a utility rate increase to fund needed system improvements and also to keep pace with inflation has been programmed.

Amherst has pursued 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 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 have provided an excellent base to work from for the near future.

Preparing for the impact of VDOT's Madison Heights Bypass project has been the single most important issue of this decade. Most 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 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.

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 road and water, sewer, electrical and internet utility infrastructure have 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.
- *Union Hill Water Tank* – The Town finished construction on a new 1,000,000 gallon water tank on Union Hill east of the Town's corporate limits in FY09. This facility is expected to be needed to support the future occupants of Brockman Park and the growth of the community.
- *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 installing new sidewalks 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.

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

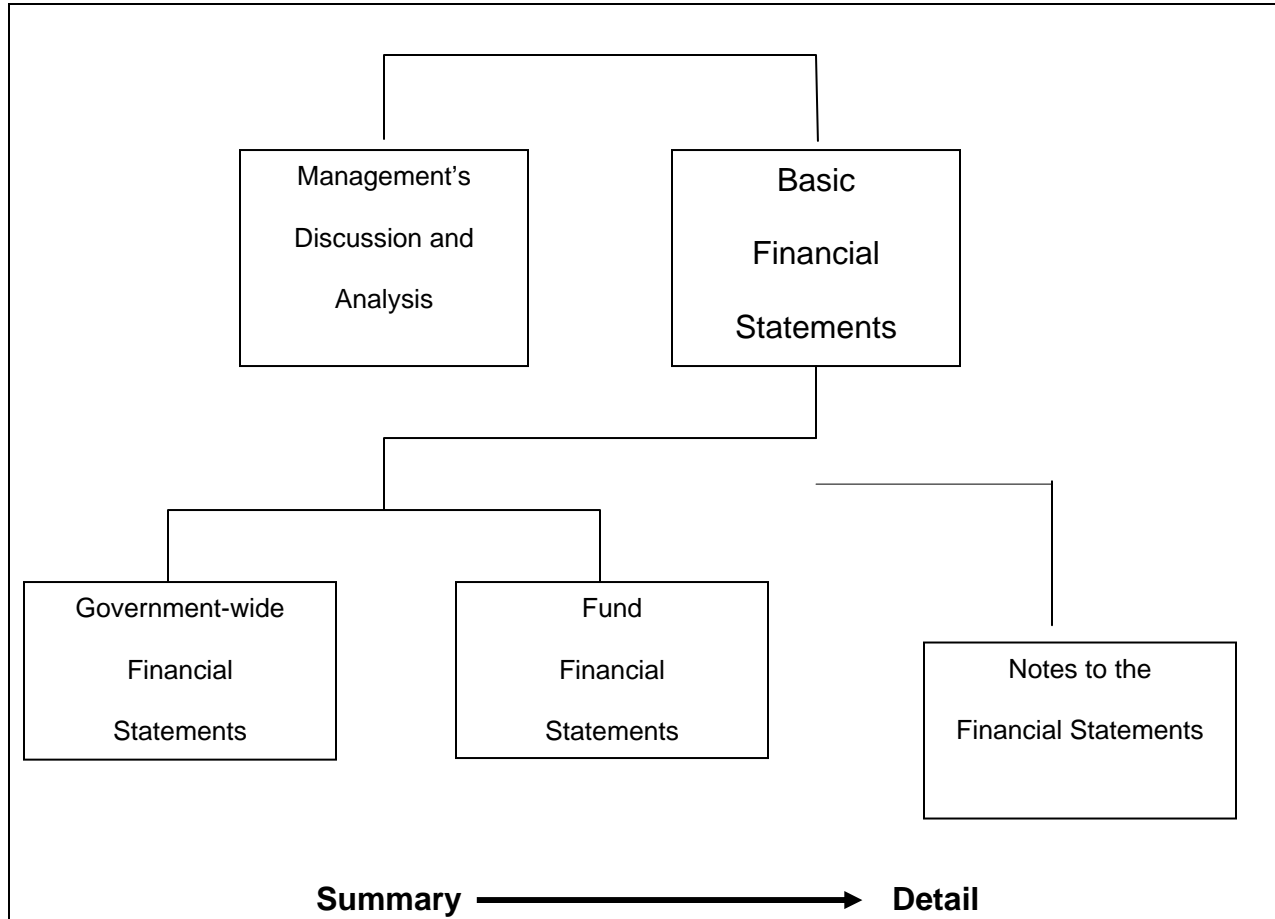
The Town accounts for its programs through three operating funds. The first is the General Fund within which the accounting for governmental services and all personnel expenses by department is maintained. The Town has two proprietary, sometimes called enterprise or business-type, funds in its Water 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 which is merely an accounting construct to summarize the Capital Improvement Plan and segregate 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, 2009.
- *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, 2008 to June 30, 2009.
- *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.

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.

*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 “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, 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 FY09, actual revenues and expenses were generally as budgeted but there were significant deviations. Quite a bit of detail on the Town’s finances is contained in the FY09 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 \$7,027,997.
- The Town’s General Fund total net assets increased by \$207,058, but the Water Fund net assets decreased by \$136,731 and Sewer Fund net assets decreased by \$227,741 for an overall net decrease of \$157,414.
- Depreciation charges total \$62,132 in the General Fund, \$177,905 in the Water Fund, \$199,571 in the Sewer Fund for a total of \$439,608.
- As of the close of the current fiscal year, the amount of Town cash in the bank was \$2,026,483 . Cash above immediate needs is invested in a rolling “bank” certificate of deposit purchase program.
- The Town’s total debt decreased to \$5,306,920 during FY09 due to no more debt being taken on, repayment of unused Union Hill Water Tank project monies, payoff of the Brockman Park bond, and constant payment on the Town’s other long-term debts. All of the Town’s long-term debt is backed by the full faith and credit of the Town of Amherst in the form of general obligation bonds.

**Capital Asset and Debt Administration**

The water tank project and a portion of the S. Main Street sidewalk project were the major capital asset booked during FY09. No major deletions due to demolitions, write-downs or other reasons were recorded this year.

The Town’s legal debt limit is \$19,680,562. Subtracting current long-term debt totaling \$5,172,479 (FY10 maturity deducted), the Town has an unused loan capacity of \$14,508,083. The Town does not anticipate taking on any debt in FY10.

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

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, 2009 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 6/30/09</b>	<b>Annualized Payment</b>	<b>Interest Rate</b>	<b>Estimated Payoff Date</b>
Union Hill Water Tank	12/31/2008	\$1,230,000	\$930,752	\$ 83,175	3.790%	January 2024
Water Plant	09/09/1995	\$2,000,000	\$1,382,889	\$110,160	4.500%	January 2028
Sewer Plant	09/12/2005	\$3,120,973	<u>\$2,993,279</u>	<u>\$159,552</u>	4.125%	August 2045
Total			\$5,306,920	\$352,887		

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, 2009, the remaining value in this “Brockman



Park Recoupment Fund” was \$2,410,209.

From an accrual, auditor-prepared financial statement basis, I believe the FY09 Comprehensive Annual Financial Report depicts the worst year the Town has had in my 17 years with the Town. It is probably the most complicated as well. Factors contributing to these opinions include a bad revenue year due primarily to lower water and sewer consumption, missed expense estimates, major yet Town Council-approved transactions and the usual confusion between cash basis accounting and accrual accounting.

Although the June 30, 2008 cash figure was inflated due to the then-unspent funds borrowed for the Union Hill water tank project, I offer the following as a more thorough but simplified explanation for the change in the Town’s “full accrual” cash position during FY09:

\$3,275,173	Cash on hand as of June 30, 2008
(34,261)	Town Hall renovation project
(634,051)	Payments on Union Hill Water Tank project
(222,468)	Pay down of Union Hill Water Tank loan
262,234	Cash from sidewalk project grant
(297,075)	Cash paid for sidewalk project
(311,584)	Payoff Brockman Park note in excess of budget
(120,744)	Cash for S. Main Street water line project
(25,000)	CVCC Donation
157,951	Other activity
<u>(\$1,224,998)</u>	Change in cash position in FY09
\$2,050,175	Cash on hand as of June 30, 2009

Similarly, I offer the following variance-to-budget analyses to explain the change in fund balances in each of the three operating funds:

**General Fund**

\$25,355	Variance in meals tax
(\$8,553)	Variance in business license tax
(\$20,448)	Variance in sales tax
\$16,019	Variance in bank stock tax
\$262,234	Sidewalk grant revenue
\$37,116	Other revenue variances
\$311,723	Revenue variance
(\$488,598)	Sidewalk project
(\$34,417)	Town Hall renovation project
(\$21,600)	Town Square project
(\$25,000)	CVCC donations
(\$310,395)	Brockman Park bond payoff (above budget)
\$26,026	Contingency variance
\$92,862	Other Administration Expense variances
\$8,844	Police Department variance
\$90,522	Capitalized labor
\$75,735	Other Utilities Department variances
<u>(\$586,021)</u>	Expense Variance
(\$274,298)	Change in Fund Balance - i.e. modified accrual basis profit or (loss)

**Water Fund**

	(\$95,745)	Variance in rate revenue
	\$21,400	Availability fees (not budgeted)
	\$5,327	Other revenue variances
(\$69,018)		Revenue Variance
	\$96,523	Variance in bond payments
	(\$26,631)	Variance in depreciation charges
	\$71,230	Budgeted reduction in capital improvement contribution
	(\$39,250)	Expensed studies (raw water line, asset plan)
	(\$45,304)	Variance in line materials
	\$30,287	Variance in water plant maintenance (extraordinary expenses)
	(\$19,142)	Other expense variances
(\$67,713)		Expense Variance
(\$136,731)		Profit (Loss) on accrual basis

**Sewer Fund**

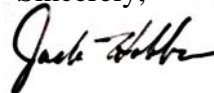
	(\$50,729)	Variance in rate revenue
	\$0	Availability fees (not budgeted)
	(\$767)	Other revenue variances
(\$51,496)		Revenue Variance
	\$35,232	Variance in bond payments
	(\$15,634)	Variance in depreciation charges
	\$192,217	Budgeted reduction in capital improvement contribution
	(\$24,425)	Expensed studies (asset plan)
	(\$11,145)	Other expense variances
(\$176,245)		Expense Variance
(\$227,741)		Profit (Loss) on accrual basis

The Town is unable to replace aging infrastructure at an acceptable pace at the current time due to the utility revenue situation. In my opinion the Town of Amherst was not better off from a fiscal standpoint as of June 30, 2009 than it was on June 30, 2008 due to this and the overall impact of the economy on the Town's fiscal situation. However, this situation will be reversed with the recovery of the economy and higher water and sewer usage, and the general state of the Town of Amherst's finances is still good and the prospects for our community remain 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 Comprehensive Annual Financial Report of the Town of Amherst as of and for the year ended June 30, 2009. 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, 2009, 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, 2009, 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 21, 2009, 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.

Lynchburg, Virginia  
September 21, 2009

**Town of Amherst, Virginia  
 Combined Balance Sheet  
 Statement of Net Assets  
 Full Accrual Basis  
 June 30, 2009**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 1,988,243	\$ 61,932	\$ 2,050,175
Net Taxes Receivable	34,728	-	34,728
Net Other Accounts Receivable	19,259	-	19,259
Net Enterprise Accounts Receivable	-	158,826	158,826
Grants Receivable	154,432	-	154,432
Due from other funds	304,041	214,671	518,712
Prepaid Expenses	9,658	-	9,658
Inventory	-	87,923	87,923
<i>Total Current Assets</i>	2,510,361	523,352	3,033,713
Net Fixed Assets	1,365,048	8,687,094	10,052,142
Net Loan Costs	-	7,361	7,361
<i>Total Long-Term Assets</i>	1,365,048	8,694,455	10,059,503
<b>Total Assets</b>	\$ 3,875,409	\$ 9,217,807	\$ 13,093,216
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 192,736	\$ 10,437	\$ 203,173
Accrued Liabilities	2,618	-	2,618
Uncompensated absences	33,796	-	33,796
Due to other funds	-	518,712	518,712
Current Portion of Notes Payable	-	134,441	134,441
<i>Total Current Liabilities</i>	229,150	663,590	892,740
Long-Term Portion of Notes Payable	-	5,172,479	5,172,479
<i>Total Long-Term Liabilities</i>	-	5,172,479	5,172,479
<b>Total Liabilities</b>	229,150	5,836,069	6,065,219
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	-	3,380,174	3,380,174
Unrestricted net assets	3,646,259	1,564	3,647,823
<i>Total Net Assets</i>	3,646,259	3,381,738	7,027,997
<b>Total Liabilities and Net Assets</b>	\$ 3,875,409	\$ 9,217,807	\$ 13,093,216

See accompanying notes to the financial statements

**Town of Amherst, Virginia  
Statement of Activities  
Full Accrual Basis  
For the year ending June 30, 2009**

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

	<u>Program Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>		
	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	1,100,463	1,599,335	1,815	390,369	\$ 891,056	\$ -	\$ 891,056
Public Safety	336,490	-	75,147	-	(261,343)	-	(261,343)
Public Works	422,655	-	-	-	(422,655)	-	(422,655)
<b>Total government activities</b>	<u>\$ 1,859,608</u>	<u>\$ 1,599,335</u>	<u>\$ 76,962</u>	<u>\$ 390,369</u>	<u>\$ 207,058</u>	<u>\$ -</u>	<u>\$ 207,058</u>
Business type activities							
Water & Sewer	1,581,264	1,216,792	-	-	-	(364,472)	(364,472)
<b>Total Primary government</b>	<u>\$ 3,440,872</u>	<u>\$ 2,816,127</u>	<u>\$ 76,962</u>	<u>\$ 390,369</u>	<u>\$ 207,058</u>	<u>\$ (364,472)</u>	<u>\$ (157,414)</u>
General and Enterprise revenues:							
General property taxes					119,158	-	119,158
Other local taxes					671,374	-	671,374
Unrestricted revenues from use of money and property					77,252	-	77,252
Permits and Privilege Fees					6,951	-	6,951
Fines and Forfeitures					19,260	-	19,260
Intergovernmental revenues					492,669	-	492,669
Miscellaneous					680,002	-	680,002
Enterprise revenues						1,216,792	1,216,792
<b>Total General and Enterprise Revenues</b>					<u>2,066,666</u>	<u>1,216,792</u>	<u>3,283,458</u>
Change in net assets					\$ 207,058	\$ (364,472)	\$ (157,414)
Net assets-beginning					3,439,201	3,746,210	7,185,411
Net assets-ending					<u>\$ 3,646,259</u>	<u>\$ 3,381,738</u>	<u>\$ 7,027,997</u>

See accompanying notes to the financial statements

**Town of Amherst, Virginia  
Balance Sheet  
Governmental Funds  
Modified Accrual Basis  
June 30, 2009**

		<b>Governmental Activities</b>
<b><u>Assets</u></b>		
Cash and Cash Equivalents	\$	1,964,551
Net Taxes Receivable		34,728
Net Other Accounts Receivable		19,259
Due From Other Funds		304,041
Prepaid Expenses		9,658
<i>Total Current Assets</i>		2,332,237
<b><i>Total Assets</i></b>	\$	2,332,237
<b><u>Liabilities</u></b>		
Accounts Payable		192,736
Accrued Liabilities		2,618
Deferred Revenue		34,728
<i>Total Current Liabilities</i>		230,082
<b><i>Total Liabilities</i></b>		230,082
<b><u>Fund Equity</u></b>		
Fund Balance - Unappropriated		2,102,155
<i>Total Fund Equity</i>		2,102,155
<b><i>Total Liabilities and Fund Equity</i></b>	\$	2,332,237

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, 2009**

**Revenues**

General Property Taxes

Real Property Taxes	\$ 66,948
Personal Property Taxes	24,960
Personal Property Tax Relief	17,456
Penalties	2,200
<i>Total General Property Taxes</i>	<u>111,564</u>

Other Local Taxes

Meals	225,355
Lodging	5,922
Consumer Utility Taxes	143,805
Local Sales and Use Taxes	112,552
Business License Taxes	96,447
Motor Vehicle Licenses	39,274
Bank Stock Taxes	48,019
<i>Total Other Local Taxes</i>	<u>671,374</u>

Permits and Privilege Fees

Parking Meter Revenue	51
Communications Lease	6,900
<i>Total Permits and Privilege Fees</i>	<u>6,951</u>

Fines and Forfeitures

Fines	19,260
<i>Total Fines and Forfeitures</i>	<u>19,260</u>

Revenue from Use of Money and Property

Interest Earned	119,824
<i>Total Revenue from Use of Money and Property</i>	<u>119,824</u>

Miscellaneous Revenue

Trash Curbside	86,945
Miscellaneous	28,175
Administrative Fees from Enterprise Funds	560,000
Police Security Revenue	4,882
<i>Total Miscellaneous Revenues</i>	<u>680,002</u>

Intergovernmental Revenues

*Non-Categorical Aid From the Commonwealth*

Economic Development Recoupment Fee	23,046
Rolling Stock	2,292

*Categorical Aid From the Commonwealth*

Law Enforcement	1,021
South Main Street Sidewalk Grant	262,234
Downtown Revitalization Grant	1,814
Virginia State Police Grant	60,512
Fire Grant	8,000
DMV Grant	3,256
<i>Total Intergovernmental Revenues</i>	<u>362,175</u>

***Total Revenues*** **\$ 1,971,150**

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, 2009**

**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	128,695
Employment Expenses	36,742
Employee Assistance Program	800
Town Attorney	4,202
Office Supplies	25,811
Office Equipment	20,348
Miscellaneous	1,723
Capital Expenditures	72,968
Property & Landscape Maintenance	12,679
Electric - Streetlights	22,184
Heat and Electricity	2,657
Telephone	12,745
Grants	68,417
Utility Service Allowance	1,201
Building Maintenance	1,326
Decorations	3,657
Insurance	60,137
Marketing	6,537
Publications and Membership	3,676
Planning and Development	1,680
Trash Contract Collection	72,983
Travel and Training	3,058
Audit & Accounting Services	7,500
Engineering Services	6,500
Fire Department	8,000
South Main Street Sidewalk	488,598
<i>Total Non-Legislative General Government</i>	1,074,824

*Total General Government Administration*      **\$ 1,076,124**

Public Safety Expenditures

*Law Enforcement and Traffic Control*

Public Safety Salaries	\$ 228,231
Employment Expenses	71,054
Equipment and Uniforms	9,873
Travel and Training	1,196
Vehicles - Fuel	8,880
Vehicles - Maintenance	4,434
Miscellaneous	258
Rent	3,852
Supplies	3,036
Attorney fees	2,428
Grant Expenditures	4,186
<i>Total Public Safety Expenditures</i>	\$ 337,428

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, 2009**

**Expenditures (continued)**

<u>Public Works Expenditures</u>	
<i>Utilities</i>	
Salaries	\$ 361,324
Employment Expenses	116,921
Benefits-Contra Capital Projects	(90,522)
Heat and Electricity	2,837
Vehicles - Repair	1,022
Uniforms	1,975
Building Maintenance	272
Equipment Maintenance	10,044
Training and Education	2,070
Miscellaneous	914
Vehicles - Fuel	14,299
<i>Total Public Works Expenditures</i>	<u>421,156</u>
 <u>Debt Service Expenditures</u>	
Principal payments	400,234
Interest	10,506
<i>Total Debt Service Expenditures</i>	<u>410,740</u>
 <b><i>Total Expenditures</i></b>	 <b><u>2,245,448</u></b>
 Change in Fund Balance	 \$ (274,298)
Fund Balance-Beginning	2,376,453
Fund Balance-Ending	<u><u>\$ 2,102,155</u></u>

See accompanying notes to the financial statements

**Town of Amherst, Virginia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**Full Accrual Basis**  
**June 30, 2009**

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Memorandum Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 61,932	\$ 61,932
Net Enterprise Accounts Receivable	76,945	81,881	158,826
Due From Other Funds	-	214,671	214,671
Inventory	77,378	10,545	87,923
<i>Total Current Assets</i>	154,323	369,029	523,352
Net Fixed Assets	4,342,986	4,344,108	8,687,094
Net Loan Costs	7,361	-	7,361
<i>Total Long Term Assets</i>	4,350,347	4,344,108	8,694,455
<b>Total Assets</b>	\$ 4,504,670	\$ 4,713,137	\$ 9,217,807
<b>Liabilities</b>			
Accounts Payable	\$ 5,621	\$ 4,816	\$ 10,437
Due to Other Funds	518,712	-	518,712
Current Portion of Notes Payable	97,672	36,769	134,441
<i>Total Current Liabilities</i>	622,005	41,585	663,590
Notes Payable	2,215,969	2,956,510	5,172,479
<i>Total Long Term Liabilities</i>	2,215,969	2,956,510	5,172,479
<b>Total Liabilities</b>	2,837,974	2,998,095	5,836,069
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	2,029,345	1,350,829	3,380,174
Unrestricted	(362,649)	364,213	1,564
<b>Total Net Assets</b>	1,666,696	1,715,042	3,381,738
<b>Total Liabilities and Net Assets</b>	\$ 4,504,670	\$ 4,713,137	\$ 9,217,807

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, 2009

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Total
<b><u>Operating Revenues</u></b>			
Monthly Billing	\$ 456,489	\$ 467,634	\$ 924,123
Sprinkler Revenue	4,968	-	4,968
Penalties	9,389	6,391	15,780
Water Service Revenue	97,020	-	97,020
Debt Service Revenue	105,862	-	105,862
Miscellaneous Revenue	7,400	-	7,400
Availability Fees	21,400	-	21,400
Maintenance and Construction Revenue	1,638	401	2,039
Rutledge Creek Operations	-	35,200	35,200
Pretreatment Revenue	-	3,000	3,000
<b><i>Total Operating Revenues</i></b>	<b><u>\$ 704,166</u></b>	<b><u>\$ 512,626</u></b>	<b><u>\$ 1,216,792</u></b>
<b><u>Operating Expenses</u></b>			
Administrative Fees	\$ 280,000	\$ 280,000	\$ 560,000
Line Materials	70,304	8,072	78,376
Pump Stations Operations	2,270	1,732	4,002
Electricity	29,742	43,226	72,968
Water & Sewer Service	53,288	801	54,089
Maintenance	6,425	19,512	25,937
Chemicals	34,305	6,037	40,342
Water Sampling	6,894	-	6,894
Laboratory	16,465	15,855	32,320
Miscellaneous	-	16,816	16,816
Watershed management	18,920	-	18,920
Water & Sewer Study & Maps	14,250	24,425	38,675
Mill Creek Raw W/L Ext. Study	25,000	-	25,000
Depreciation Expense	177,905	199,571	377,476
Amortization Expense	504	-	504
<b><i>Total Operating Expenses</i></b>	<b><u>\$ 736,272</u></b>	<b><u>\$ 616,047</u></b>	<b><u>\$ 1,352,319</u></b>
<i>Operating income (expense)</i>	\$ (32,106)	\$ (103,421)	\$ (135,527)
<b><u>Non-operating revenues (expenses)</u></b>			
Interest Expense	(104,625)	(124,320)	(228,945)
<b><i>Total non-operating Revenues/Expenses</i></b>	<b><u>(104,625)</u></b>	<b><u>(124,320)</u></b>	<b><u>(228,945)</u></b>
<b><i>Change in Net Assets</i></b>	<b>(136,731)</b>	<b>(227,741)</b>	<b>(364,472)</b>
Net Assets-Beginning	<u>1,803,427</u>	<u>1,942,783</u>	<u>3,746,210</u>
<b><i>Net Assets-Ending</i></b>	<b><u>\$ 1,666,696</u></b>	<b><u>\$ 1,715,042</u></b>	<b><u>\$ 3,381,738</u></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, 2009**

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Memorandum Total Only
<b>Cash flows from operating activities</b>			
Receipts from customers	716,675	498,214	1,214,889
Payments to suppliers	(229,797)	(131,731)	(361,528)
Internal activity - payments to other funds	(3,711)	(268,969)	(272,680)
Net cash provided by operating activities	<u>483,167</u>	<u>97,514</u>	<u>580,681</u>
<b>Cash flows from Capital and Related Financing Activities</b>			
Purchases of Capital Assets	(788,702)	(16,070)	(804,772)
Principal paid on capital debt	(322,534)	(35,232)	(357,766)
Interest paid on capital debt	(104,625)	(124,320)	(228,945)
Net cash used in capital and related financing activities	<u>(1,215,861)</u>	<u>(175,622)</u>	<u>(1,391,483)</u>
Net Decrease in Cash & Cash Equivalents	(732,694)	(78,108)	(810,802)
<b>Cash &amp; Cash Equivalents, beginning of year</b>	<u>732,694</u>	<u>140,040</u>	<u>872,734</u>
<b>Cash &amp; Cash Equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 61,932</u>	<u>\$ 61,932</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (32,106)	\$ (103,421)	\$ (135,527)
Adjustments to reconcile change in unrestricted net assets			
Depreciation and Amortization	178,409	199,571	377,980
Decrease/(Increase) in accounts receivable	12,509	(14,412)	(1,903)
Decrease/(Increase) in grants receivable	-	-	-
Decrease/(Increase) in due from other fund	-	11,031	11,031
Decrease/(Increase) in inventory	42,445	(71)	42,374
(Decrease)/Increase in accounts payable	5,621	4,816	10,437
(Decrease)/Increase in due to other fund	276,289	-	276,289
Net cash provided by operating activities	<u>483,167</u>	<u>97,514</u>	<u>580,681</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

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 Comprehensive Annual Financial Report of the Town of Amherst as of and for the year ended June 30, 2009, and have issued our report thereon dated September 21, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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 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 21, 2009.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Lynchburg, Virginia  
September 21, 2009

**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, 2009**

	<b>General Fund</b>		
	Budget	Actual	Variances Favorable (Unfavorable)
<b>Revenues</b>			
<u>General Property Taxes</u>			
Real Property Taxes	\$ 61,250	\$ 66,948	\$ 5,698
Personal Property Taxes	26,250	24,960	(1,290)
Personal Property Tax Relief	17,456	17,456	-
Penalties	6,000	2,200	(3,800)
<i>Total General Property Taxes</i>	<u>110,956</u>	<u>111,564</u>	<u>608</u>
<u>Other Local Taxes</u>			
Meals	200,000	225,355	25,355
Lodging	5,700	5,922	222
Consumer Utility Taxes	147,700	143,805	(3,895)
Local Sales and Use Taxes	133,000	112,552	(20,448)
Business License Taxes	105,000	96,447	(8,553)
Motor Vehicle Licenses	40,000	39,274	(726)
Bank Stock Taxes	32,000	48,019	16,019
<i>Total Other Local Taxes</i>	<u>663,400</u>	<u>671,374</u>	<u>7,974</u>
<u>Permits and Privilege Fees</u>			
Parking Meter Revenue	-	51	51
Communications Lease	6,900	6,900	-
<i>Total Permits and Privilege Fees</i>	<u>6,900</u>	<u>6,951</u>	<u>51</u>
<u>Fines and Forfeitures</u>			
Fines	15,000	19,260	4,260
<i>Total Fines and Forfeitures</i>	<u>15,000</u>	<u>19,260</u>	<u>4,260</u>
<u>Revenue from Use of Money and Property</u>			
Interest Earned	110,000	119,824	9,824
<i>Total Revenue from Use of Money and Property</i>	<u>110,000</u>	<u>119,824</u>	<u>9,824</u>
<u>Miscellaneous Revenue</u>			
Trash Curbside	85,638	86,945	1,307
Miscellaneous	15,954	28,175	12,221
Administrative Fees from Enterprise Funds	560,000	560,000	-
Police Security Revenue	-	4,882	4,882
<i>Total Miscellaneous Revenues</i>	<u>661,592</u>	<u>680,002</u>	<u>18,410</u>
<u>Intergovernmental Revenues</u>			
<i>Non-Categorical Aid From the Commonwealth</i>			
Economic Development Recoupment Fee	18,628	23,046	4,418
Rolling Stock	2,076	2,292	216
<i>Categorical Aid From the Commonwealth</i>			
Law Enforcement	-	1,021	1,021
Streetscape	-	262,234	262,234
Downtown Revitalization Grant	-	1,814	1,814
Virginia State Police Grant	62,875	60,512	(2,363)
Fire Grant	8,000	8,000	-
DMV Grant	-	3,256	3,256
<i>Total Intergovernmental Revenues</i>	<u>91,579</u>	<u>362,175</u>	<u>270,596</u>
<b>Total Revenues</b>	<b><u>\$ 1,659,427</u></b>	<b><u>\$ 1,971,150</u></b>	<b><u>\$ 311,723</u></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, 2009**

	<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	137,940	128,695	9,245
Employment Expenses	40,876	36,742	4,134
Employee Assistance Program	1,200	800	400
Town Attorney	10,000	4,202	5,798
Office Supplies	18,000	25,811	(7,811)
Office Equipment	20,000	20,348	(348)
Miscellaneous	31,449	1,723	29,726
Capital Expenditures	72,000	72,968	(968)
Property & Landscape Maintenance	18,000	12,679	5,321
Electric - Streetlights	25,000	22,184	2,816
Heat and Electricity	3,000	2,657	343
Telephone	14,800	12,745	2,055
Grants	43,417	68,417	(25,000)
Utility Service Allowance	1,200	1,201	(1)
Building Maintenance	1,500	1,326	174
Decorations	2,000	3,657	(1,657)
Insurance	67,000	60,137	6,863
Marketing	5,000	6,537	(1,537)
Publications and Membership	3,500	3,676	(176)
Planning and Development	10,000	1,680	8,320
Trash Contract Collection	72,715	72,983	(268)
Travel and Training	3,500	3,058	442
Audit & Accounting Services	8,000	7,500	500
Engineering Services	6,000	6,500	(500)
Fire Department	8,000	8,000	-
South Main Street Sidewalk	-	488,598	(488,598)
<i>Total Non-Legislative General Government</i>	<u>624,097</u>	<u>1,074,824</u>	<u>(450,727)</u>
<i>Total General Government Administration</i>	<u>\$ 625,397</u>	<u>\$ 1,076,124</u>	<u>\$ (450,727)</u>
<b><u>Public Safety Expenditures</u></b>			
<i>Law Enforcement and Traffic Control</i>			
Public Safety Salaries	222,398	228,231	(5,833)
Employment Expenses	70,058	71,054	(996)
Equipment and Uniforms	20,168	9,873	10,295
Travel and Training	3,600	1,196	2,404
Vehicles - Fuel	12,825	8,880	3,945
Vehicles - Maintenance	5,000	4,434	566
Miscellaneous	3,580	258	3,322
Rent	3,180	3,852	(672)
Supplies	2,740	3,036	(296)
Attorney Fees	2,723	2,428	295
Grant Expenditures	-	4,186	(4,186)
<i>Total Public Safety Expenditures</i>	<u>\$ 346,272</u>	<u>\$ 337,428</u>	<u>\$ 8,844</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, 2009**

	<b>General Fund</b>		
	Budget	Actual	<b>Variances</b> Favorable (Unfavorable)
<b><u>Expenditures (continued)</u></b>			
<b><u>Public Works Expenditures</u></b>			
<i>Utilities</i>			
Salaries	\$ 409,819	\$ 361,324	\$ 48,495
Employment Expenses	121,329	116,921	4,408
Benefits-Contra Capital Projects	-	(90,522)	90,522
Heat and Electricity	3,800	2,837	963
Vehicles - Repair	4,240	1,022	3,218
Uniforms	4,500	1,975	2,525
Building Maintenance	2,000	272	1,728
Equipment Maintenance	11,450	10,044	1,406
Training and Education	6,000	2,070	3,930
Miscellaneous	5,275	914	4,361
Vehicles - Fuel	19,000	14,299	4,701
<i>Total Public Works Expenditures</i>	587,413	421,156	166,257
 <b><u>Debt Service Expenditures</u></b>			
Principal payments	88,650	400,234	(311,584)
Interest	11,695	10,506	1,189
<i>Total Debt Service Expenditures</i>	100,345	410,740	(310,395)
 <b><u>Total Expenditures</u></b>	 1,659,427	 2,245,448	 (586,021)
 Change in Fund Balance		 \$ (274,298)	
Fund Balance-Beginning		2,376,453	
Fund Balance-Ending		\$ 2,102,155	

See accompanying notes to the financial statements

**Town of Amherst, Virginia  
Supplemental Information  
As of June 30, 2009**

**Statement of Treasurer's Accountability**

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 400
Wachovia Bank	105,600
BB & T	15,635
Bank of the James	1,010,127
Carter Bank & Trust	64,495
First National Bank of Altavista	5,162
Suntrust - Money Fund	25,064
<i>Total Cash</i>	1,226,483
<u>Certificates of Deposit</u>	
Bank of the James	800,000
<i>Total Certificates of Deposit</i>	800,000
<b><i>Total Assets Held By Treasurer</i></b>	<b>\$ 2,026,483</b>

**Liabilities Held By Treasurer**

<u>Cash Allocated to Funds</u>	
General Fund	\$ (1,185,787)
Capital Projects Fund	(975,562)
Sewer Fund	(61,932)
Water Fund	196,798
<i>Total Cash Allocated to Funds</i>	(2,026,483)
<b><i>Total Liabilities Held by Treasurer</i></b>	<b>\$ (2,026,483)</b>

**Computation of Legal Debt Margin**

Net Assessed Debt Value	\$ 196,805,618
Debt Limit Percentage	10%
Debt Limit Calculated	19,680,562
Total Long-Term Debt	5,172,479
<i>Legal Margin for Creation of Additional Debt</i>	14,508,083

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

Actuarial Valuation Date	June 30, 2008	June 30, 2007
Actuarial Value of Assets	\$ 2,629,380	\$ 2,399,138
Actuarial Accrued Liability	2,849,171	2,486,808
Unfunded Actuarial Accrued Liability (UAAL)	(219,791)	(87,670)
<i>Funded Ratio</i>	92%	96%
Annual Covered Payroll	677,588	631,235
<i>UAAL as a Percent of Payroll</i>	32.4%	13.9%

See accompanying notes to the financial statements

**Town of Amherst, Virginia  
Supplemental Information  
For the Year Ended June 30, 2009**

	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	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	\$ 110,754	\$ 108,934	\$ 104,209	\$ 103,239	\$ 97,126	\$ 97,574	\$ 108,090	\$ 99,841	\$ 99,841	\$ 93,912	\$ 100,190	\$ 93,264
Total Tax Collection	109,364	108,879	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	98.74%	99.95%	104.79%	111.22%	101.21%	100.65%	102.66%	111.14%	111.14%	103.43%	97.92%	98.82%
Outstanding Delinquent Taxes	34,728	27,134	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	31.36%	24.91%	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	177,161,700	118,101,000	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	12,828,564	12,404,595	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	6,815,354	4,180,032	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 Assessed Value</b>	<b>\$ 196,805,618</b>	<b>\$ 134,685,627</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>Total Debt Limit (10% of Total Assessed Value)</b>	<b>\$ 19,680,562</b>	<b>\$ 13,468,563</b>	<b>\$ 13,533,224</b>	<b>\$ 13,163,604</b>	<b>\$ 12,921,117</b>	<b>\$ 13,499,180</b>	<b>\$ 13,475,411</b>	<b>\$ 10,423,612</b>	<b>\$ 10,340,060</b>	<b>\$ 9,896,264</b>	<b>\$ 9,859,886</b>	<b>\$ 9,572,830</b>
<b>Property Tax Rates (per \$100 of Assessed Value)</b>												
Real Estate	3.6%	5.4%	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%	35%	35%

Prior to June 30, 2006 the information in this supplemental schedule was audited by others.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**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, 2009**

**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, 2009**

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

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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. 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, 2009**

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

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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 Fund 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.

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. The Town considers all highly liquid investments with a maturity of three 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 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, 2009**

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

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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, 2009, 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.

**Deferred Revenue**

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

**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, 2009**

**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, 2009:

Bank of the James	\$1,560,127
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**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 \$33,796 of accrued compensated absences at June 30, 2009.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**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, 2009 the outstanding balance was \$1,382,889.

On December 31, 2007, the Town issued a general obligation bond to Carter Bank & Trust and concurrently signed a note with the bank for \$1,230,000, at 3.79% interest to finance a water system improvement program. The note is secured by the general obligation bond issued by the Town. During January 2009, an additional principal payment of \$222,468 was made reducing the principal and interest payment from \$8,554 to \$6,931 monthly. At June 30, 2009 the outstanding balance was \$930,752.

Interest of \$104,625 was paid during the fiscal year. A schedule of maturities is as follows:

<u>For the year ending</u>	<u>Maturities</u>
June 30, 2010	\$ 97,672
June 30, 2011	101,800
June 30, 2012	106,103
June 30, 2013	110,590
June 30, 2014	115,268
Thereafter	1,782,208
	<u>\$ 2,313,641</u>

**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, 2009, the outstanding balance was zero, as the bonds were retired during the year. Interest of \$10,506 was paid during the fiscal year.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**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, 2009, the outstanding balance was \$2,993,279. Interest of \$124,320 was paid during the current fiscal year. A schedule of maturities is as follows:

For the year ending	Maturities
June 30, 2010	36,769
June 30, 2011	38,315
June 30, 2012	39,926
June 30, 2013	41,604
June 30, 2014	43,353
Thereafter	2,793,312
	\$ 2,993,279

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	Balance July 1, 2008	Issued	Retired	Balance June 30, 2009
Governmental activities	\$ 400,234	\$ -	\$ 400,234	\$ -
Business-type activities:				
Water Fund	2,636,175	-	322,534	2,313,641
Sewer Fund	3,028,511	-	35,232	2,993,279
Total Business-type activities	5,664,686	-	357,766	5,306,920
Total	\$ 6,064,920	\$ -	\$ 758,000	\$ 5,306,920

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**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 at age 65 with 5 years of service (age 60 with 5 years of service for participating local law enforcement officers, fire fighters, and sheriffs) or at age 50 with 30 years of service if elected by the employer (age 50 with 25 years of service for participating local law enforcement officers and firefighters). Benefits are payable monthly for life in an amount equal to 1.7% of their average final compensation (“AFC”) for each year of credited service (1.85% for sheriffs, and if the employer elects, other employees in hazardous duty positions receiving enhanced benefits). The AFC is defined as the highest consecutive 36 months of employment. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living (“COLA”) adjustment beginning in their second year of retirement. COLA is limited to 5% per year. 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 General Assembly of Virginia. 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 System's Chief Financial Officer, 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 their annual reported compensation to VRS. 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 statute and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended June 30, 2009 was 12.5% of annual covered payroll.

**Annual Pension Cost**

The required contribution was determined as part of the June 30, 2007 actuarial valuation using entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.5%, (b) a cost of living adjustment of 2.5% per year and (c) 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. 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, 2008 was 20 years.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**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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As of June 30, 2009, there was one litigation claim pending. However, the Town expects that the insurance will cover the claim and does not expect it to materially affect the financial statements as a whole.

**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	15-40 years
Buildings	40 years
Equipment	5-15 years

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

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

Details of changes in property and equipment in the Government Fund for the fiscal year ending June 30, 2009 are as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Land	\$ 1,055,360	\$ 10	\$ -	\$ 1,055,370
Town Hall Renovations	109,549	34,417	-	143,966
Town Square Project	3,150	21,600	24,750	-
Equipment	391,158	16,941	-	408,099
Subtotal	\$ 1,559,217	\$ 72,968	\$ 24,750	\$ 1,607,435
Less Accumulated Depreciation	180,255	62,132	-	242,387
Net Total Capital Assets	\$ <u>1,378,962</u>	\$ <u>10,836</u>	\$ <u>24,750</u>	\$ <u>1,365,048</u>

Details of changes in property and equipment in the Enterprise Funds for the fiscal year ending June 30, 2009 are as follows:

**Proprietary Water Fund**

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Equipment	63,061	-	-	63,061
Plant and Lines	5,412,228	802,952	14,250	6,200,930
Subtotal	\$ 5,480,889	\$ 802,952	\$ 14,250	\$ 6,269,591
Less Accumulated Depreciation	1,748,700	177,905	-	1,926,605
Net Total Capital Assets	\$ <u>3,732,189</u>	\$ <u>625,047</u>	\$ <u>14,250</u>	\$ <u>4,342,986</u>

As of June 30, 2009, \$36,000 of the Proprietary Water Fund property and equipment balance is construction in progress and is not being depreciated.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

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

**Proprietary Sewer Fund**

	Balance at July 1, 2008		Additions		Deletions		Balance at June 30, 2009
Land	\$ 6,984	\$	-	\$	-	\$	6,984
Equipment	41,693		-		-		41,693
Plant and Lines	6,073,934		40,495		24,425		6,090,004
Subtotal	\$ 6,122,611	\$	40,495	\$	24,425	\$	6,138,681
Less Accumulated Depreciation	1,595,002		199,571		-		1,794,573
Net Total Capital Assets	\$ 4,527,609	\$	(159,076)	\$	24,425	\$	4,344,108

As of June 30, 2009, \$341,579 of the Proprietary Sewer Fund property and equipment balance is construction in progress and is not being depreciated.

**Note 11 – Reconciliation of Fund Balances to Governmental Net Assets**

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

Fund Balance-Unappropriated	\$ 2,102,155
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets.	1,365,048
Grant receivable for South Main Street Sidewalk	154,432
Accounts receivable for real estate taxes	34,728
Uncompensated absence accrual	(33,796)
Certificate of deposit interest income accrual	<u>23,692</u>
Net assets of General Government Activities	\$ <u>3,646,259</u>



**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**Note 12 –Grants**

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The Town received several grants during the year. Two grants totaled \$14,635 for use in Public Safety. Additional grants for downtown revitalization and the South Main Street Sidewalk were reimbursed in the amount of \$392,184. 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 13 - Leases**

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During the year, the Town entered into a lease agreement for to rent office space for the police department. The lease commenced on August 1, 2008 and will end on July 31, 2011. The monthly rental amount is \$300. Annual rental expense for the year ended June 30, 2009 was \$3,300. Minimum annual rental payment required under the lease are \$3,600 for the year ending June 30, 2010, \$3,600 for the year ending June 30, 2011, and \$300 for the year ending June 30, 2012.

**Note 14 - Intergovernmental Funds**

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The Town operates using one cash fund to receive cash and make payments, which is run through the Governmental Activities General Fund. The cash received from income in the Water and Sewer funds and the cash paid for expenses for the Water and Sewer funds are recorded in the cash accounts held by the Governmental Activities General Fund and are run through the due to/due from account in the Governmental Activities General Fund and the appropriate income and expense accounts of the respective Water and Sewer Funds. As a result, there is a running due to/due from other funds balance on both the Governmental Activities Fund and the Water and Sewer Funds. As of June 30, 2009, the General Fund has a balance due from other funds of \$304,041. As of June 30, 2009, the Water Fund has a balance due to other funds of \$518,712. As of June 30, 2009, the Sewer Fund has a balance due from other funds of \$214,671. The balances in these due to/due from other funds net to zero.

**Note 15 – New Accounting Standards**

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The Governmental Accounting Standards Board (“GASB”) has issued it statement No. 45 *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The statement established standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. While management has not completed the process of evaluating the impact that will result from adoption of the standard, an initial review of expected cost has been performed. The review was based on current policies regarding retiree health coverage. The requirements of the Statement are effective for the Town starting with the year ending June 30, 2010.

**Town of Amherst, Virginia**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**Note 16 - Restatement of Net Assets**

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For the year ending June 30, 2009, beginning net assets on the Water fund and the Sewer fund were restated.

During the year ending June 30, 2000, an interfund transfer from the Governmental Activities Fund to the Water Fund in the amount of \$2,400 was recorded as a due from other funds on the Governmental Activities Fund but was expensed in the Water Fund, thus understating net assets on the Water Fund. The Water Fund's beginning net assets and due to other funds were restated for this amount as of June 30, 2009.

During the year ending June 30, 2000, an interfund transfer from the Governmental Activities Fund to the Sewer Fund in the amount of \$111,646 was recorded as a due from other funds on the Governmental Activities Fund but was expensed in the Sewer Fund, thus understating net assets on the Sewer Fund. The Sewer Fund's beginning net assets and due to other funds were restated for this amount as of June 30, 2009.

For the year ending June 30, 2009, beginning net assets on the governmental activities on the government-wide statement of net assets were restated. During the year ending June 30, 2008, the South Main Street Sidewalk project expenditures were capitalized in the amount of \$42,152. However, the South Main Street Sidewalk is not an asset of the Town, therefore, the net fixed assets and the change in net assets were overstated.